

# GENERATIONS INSTITUTE

## Intergenerational Equity Index 2016

### Executive Summary

The 2016 edition of the Intergenerational Equity Index (the “Index”) quantitatively assesses the evolution of intergenerational equity, measuring the impact of public policy decisions over the last 37 years. Covering the years 1976 to 2013 and focusing on young people aged 25 to 34 years, this year's edition of the index features an additional dimension: a comparison between Quebec and Ontario.

Our analysis aims to explore the evolution of certain indicators and their distribution between generations over recent decades. These indicators can be thought of as a measure of the costs and benefits associated with public policy and social and political choices. As a “cost” for one person may be a “benefit” for another, the selection of indicators and their classification into costs and benefits is not a simple, undisputed process. We first constructed the 2014 Index by working closely with two focus groups, one with youth aged 20 to 35 and the second with people aged 55 and over. To further inform our work, we also conducted a series of informal consultations with Quebecers of all ages from all political backgrounds, involved in various spheres of activity, known in the community, and mobilized by the issue of equity between generations.

We continued our consultative process in 2016. As such, the 2016 edition of the Index is slightly different from the first edition in 2014, but we hope that this change is for the better. Regardless of these modifications, the following two interrelated questions remain at the core of the Index:

1. Has the living standard of young people improved or deteriorated?
2. Have power, wealth, and jobs been shared more or less equitably across generations?

To answer these questions as accurately as possible, we collected data on 26 socio-economic indicators and combined them to form the Intergenerational Equity Index. These were divided into two groups. The first group of 16 indicators aims to answer the first question by analyzing different factors contributing to the standard of living of individuals. The second group of 10 indicators answers the second question, and as such, is more focused on analyzing the distribution, and therefore the sharing of power and wealth. We trace the individual and joint evolution of these 26 indicators over the 1976-2013 time period, using 1990 as the reference year. This year, the Index is an analysis in two dimensions: first comparing the evolution of the standard of living for young people against their parents’ generation, and then comparing this relative standard of living between Quebec and Ontario.

The 2013 value of the Index is the most recent comparison of living standards and resource-sharing between the generation of young people aged 25 to 34 (Generations X and Y) and their parents' generation (Baby-boomers).

Table 1 - Index of Intergenerational Equity : Québec - Ontario Comparison								
Année	Québec	Ontario	Année	Québec	Ontario	Année	Québec	Ontario
1976	95.4	98.6	1989	104.4	103.1	2002	106.8	95.9
1977	94.2	97.7	<b>1990</b>	<b>100.0</b>	<b>100.0</b>	2003	105.2	98.6
1978	97.1	97.3	1991	95.3	95.1	2004	104.8	99.3
1979	96.8	100.0	1992	96.5	95.7	2005	105.5	96.1
1980	97.3	104.4	1993	95.3	93.1	2006	106.7	97.9
1981	96.5	104.2	1994	97.0	92.9	2007	107.7	99.0
1982	95.3	101.7	1995	97.7	92.7	2008	107.7	100.7
1983	92.3	98.1	1996	96.6	91.3	2009	105.5	96.3
1984	96.5	100.3	1997	98.9	91.8	2010	106.9	95.7
1985	95.5	103.4	1998	98.8	96.8	2011	106.6	96.0
1986	95.3	99.2	1999	101.9	99.1	2012	105.8	98.0
1987	96.2	99.1	2000	103.8	101.7	<b>2013</b>	<b>105.7</b>	<b>97.8</b>
1988	101.3	101.7	2001	105.0	98.1			

Our analysis suggests the following:

- In Quebec, the Index has *increased* from 100 to 105.7 between 1990 and 2013, suggesting improvements in the quality of life and resource-sharing for Quebec's younger working generation. In other words, a fragile equity exists between 25-34 year-olds in Quebec and their parents' generation.
- In Ontario, Index has *decreased* from 100 to 97.8 between 1990 and 2013, suggesting a decline in standards of living and resource-sharing for Ontario's younger working generation. The living standards of young people seem to have deteriorated slightly compared to the generation of their parents.
- The indicators with the greatest *positive* impact on the Index for Quebec are:
  - Crime rate (decrease from 6,207 to 3,861 infractions per 100,000 people)
  - University graduation rate (increase from 14.4% to 31% of the population)
  - Unemployment rate (10.7% to 7.24%)
  - Median income (\$ 24,853 to \$ 31,389)
  - Median net assets (\$ 33,631 to \$ 43,259)
- The indicators with the greatest *negative* impact on the Index for Quebec are:
  - Mental health (constructed index of 100 to 53)<sup>1</sup>
  - Ratio of net assets of 25-34 year olds to the population as a whole (34% to 22%)
  - Ratio of house prices to median income (6.19 to 8.41)
- The indicators with the greatest *positive* impact on the Index for Ontario are:
  - Crime rate (decrease from 7,019 to 3,675 infractions per 100,000 people)
  - University graduation rate (increase from 17.9% to 35.7% of the population)
  - Air quality – fine particulate matter (decrease from 8.36 to 5.88 micrograms per cubic meter)
  - Public provincial Education spending as a percent of provincial budget (3.7% to 4.6% of population with a university degree)

<sup>1</sup> It is important to note that the sharp deterioration in this indicator might partly be due to a change in culture that has made mental health problems less taboo. Thus, the deterioration in the mental health indicator may simply be due to increased reporting and recognition

- Intergenerational ratio of average tax rates: (.98 to .83)
- The indicators with the greatest *negative* impact on the Index for Ontario are:
  - Mental health level (constructed index, with a deterioration of 100 to 55.9)
  - Unemployment duration, in weeks (13.5 to 20.35)
  - Ratio of house prices to income (9.15 to 12.96)
- The indicators with the greatest divergence between Quebec and Ontario for the period 1990-2013 (to Quebec's advantage) are:
  - Median Income:
    - Quebec: \$ 24,853 to \$ 31,389
    - Ontario: \$ 29,405 to \$ 29,701
  - Unemployment rate:
    - Quebec: 10.66% to 7.2%
    - Ontario: 6.7% to 7.7%
  - Average duration of unemployment spells:
    - Quebec: 19.6 to 15.9 weeks
    - Ontario: 13.5 to 20.4 weeks
- The indicators with the greatest divergence between Quebec and Ontario for the period 1990-2013 (to Ontario's advantage) are:
  - Air Quality (micrograms per cubic meter of fine particulate matter)
    - Quebec: 7.2 to 9.4
    - Ontario: 8.4 to 5.9
  - Public expenditure on education as percentage of GDP:
    - Quebec: 6% to 5.2%
    - Ontario: 3.7% to 4.6%
  - Intergenerational ratio of average tax rates:
    - Quebec: 1.02 to 0.99
    - Ontario: 0.98 to 0.83
- The fact that the value of the Index is higher for Quebec than for Ontario does not necessarily mean that the standards of living and sharing of resources among youth aged 25 to 34 are higher in Quebec compared to Ontario. Indeed, the Index studies the evolution and not the absolute level of the standards of living and sharing of resources.
- The data nonetheless permit a direct comparison. A look at the *level* of the 26 indicators that compose the Index for the years 2012 and 2013 further suggests that young Quebecers' standards of living exceed those of their Ontarian counterparts on several dimensions. Of the 26 indicators available for 2012 and 2013, 13 were in favor of young Quebecers, 11 in favor of Ontarian youth – and many of these in key areas, including:
  - A higher median income;
  - A lower unemployment rate;
  - A shorter average period of unemployment;
  - A lower level of income inequality.