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**Senior poverty in Canada:
A decomposition analysis**

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Executive Summary

Senior poverty in Canada has declined dramatically since the 1970s. In Canada, the introduction and expansion of retirement income programs including Old Age Security (OAS), the Guaranteed Income Supplement (GIS), and the Canada and Quebec Pension Plans (C/QPP) is often credited with improving the well-being of elderly Canadians. Is policy the only factor at play?

In this study I examine the extent to which changes in seniors' characteristics may be associated with changes in senior poverty – measured using the Elderly Relative Poverty Measure (ERPM) and the Low Income Cut-off (LICO). Using the confidential microdata files for the 1977-1979 and 1994-1996 Survey of Consumer Finances (SCF) and the 1994-1996 and 2006-2008 Survey of Labour and Income Dynamics (SLID), a decomposition analysis of changes in senior poverty rates over the two periods is conducted.

Among the characteristics examined, increases in education appear to play a significant role in reducing senior poverty over time. However, the effect is relatively small. The results also suggest that increases in independent living among seniors (as observed over the 1977-1979 to 1994-1996 period) are associated with slightly higher poverty rates.

Any changes in senior poverty associated with changes in senior characteristics, however, are dwarfed by the effects of changes in the extent to which senior's characteristics influenced seniors' likelihood of poverty. For the 1977-1979 to 1994-1996 period, the results confirm the importance of retirement income policy – with results suggesting that market forces became less relevant for the structure of senior poverty over this period.

For the 1994-1996 to 2006-2008 period, however, the results are slightly different. While retirement income policy remains important for maintaining the absolute standard of living among seniors (demonstrated by the reduced importance of factors such as education as a predictor for a senior having income below LICO), market forces appear to be more important again for relative poverty – the living standards of seniors are not keeping up with the working age population.