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**Income Inequality Among Seniors in Canada:
The Role of Women's Labour Market Experience**

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Income Inequality Among Seniors in Canada: The Role of Women's Labour Market Experience

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ABSTRACT

The distribution of income among seniors in Canada has changed substantially over the past decade, reflecting an overall increase in income and an increase in income inequality. In this study I decompose the distribution of income among senior couples to determine the extent to which changes in the labour market activity and retirement experiences of women and men have contributed to this shift in the income distribution. I use data from the Canadian Survey of Labour and Income Dynamics, 1996 and 2006, and the methods of Firpo, Fortin and Lemieux (2007, 2009). Results suggest increases in women's access to pension income and employment have driven increases in income across the distribution with relatively small disequalizing effects. Increases in women's access to public pensions have had important equalizing effects, while most of the increase in senior income inequality can be attributed to increases in senior men's and women's education levels.

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Keywords: Income distribution, Elderly, Seniors, Women's labour supply, Pensions

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Executive Summary

Income support for the elderly population has long been a priority for policy makers. In Canada, various programs – including Old Age Security, the Guaranteed Income Supplement, and the Canada/Quebec Pension Plans - exist to support the retirement incomes of seniors. These programs are often credited with improving the well-being of elderly Canadians. In this study I examine recent changes in the distribution of income among senior Canadians. The central goal of this paper is to determine which factors are driving recent changes in seniors' incomes and income inequality. The focus is on those factors that reflect historical changes in the nature of women's labour market activity and experience.

Data from the Survey of Labour and Income Dynamics is used to document and analyse the changes in seniors' incomes, focussing on the after-tax incomes of senior married couples. Over the period 1996-2006, there had been a general increase in seniors' income that we would expect to raise the well-being of seniors and further reduce poverty. Seniors in high income groups, however, saw larger increases in income than seniors in low income groups. Thus we have also seen an increase in income inequality among seniors over the last decade, despite reductions in inequality in the years prior to the mid-1990s.

The analysis examines the extent to which various factors have contributed to increases in seniors' income. The following are the key findings:

- a. The higher likelihood of women to receive employer-sponsored pensions (by twenty percentage points) led to large increases in income among all senior couples, with those in the middle of the income distribution benefitting the most.
- b. The higher likelihood of women to be employed at older ages also largely benefitted those in the middle and upper parts of the income distribution.
- c. Increases in women's access to CPP/QPP appears to have benefitted those seniors in the lower end of the income distribution the most. The increase in women's access to CPP/QPP by seventeen percentage points also benefitted seniors in the middle of the income distribution but had no significant effect on upper income senior couples.
- d. Increases in the likelihood of men to have an employer sponsored pension appears to have benefitted those seniors in the lower end of the income distribution more than seniors in the top of the distribution. In contrast, any increase in senior men's employment benefitted high income seniors the most.

- e. The large increase in educational attainment for senior men and women drove increases in income for high income seniors, with few benefits for low income seniors.
- f. Increases in women's labour market experience can explain some increase in seniors' incomes over the 1996-2006 period, but is a relatively small contributor to the increase in income and income inequality.

Overall, the results demonstrate the importance of changes in the nature of women's labour force attachment and retirement for senior's incomes and well-being. We should expect that policies promoting labour force attachment among women, such as Employment Insurance maternity benefits and job protection provisions, or the availability of public child care programs, can lead to higher retirement incomes and elderly well-being in the future. It is important to note the equalizing role played by Canada's public pension programs.