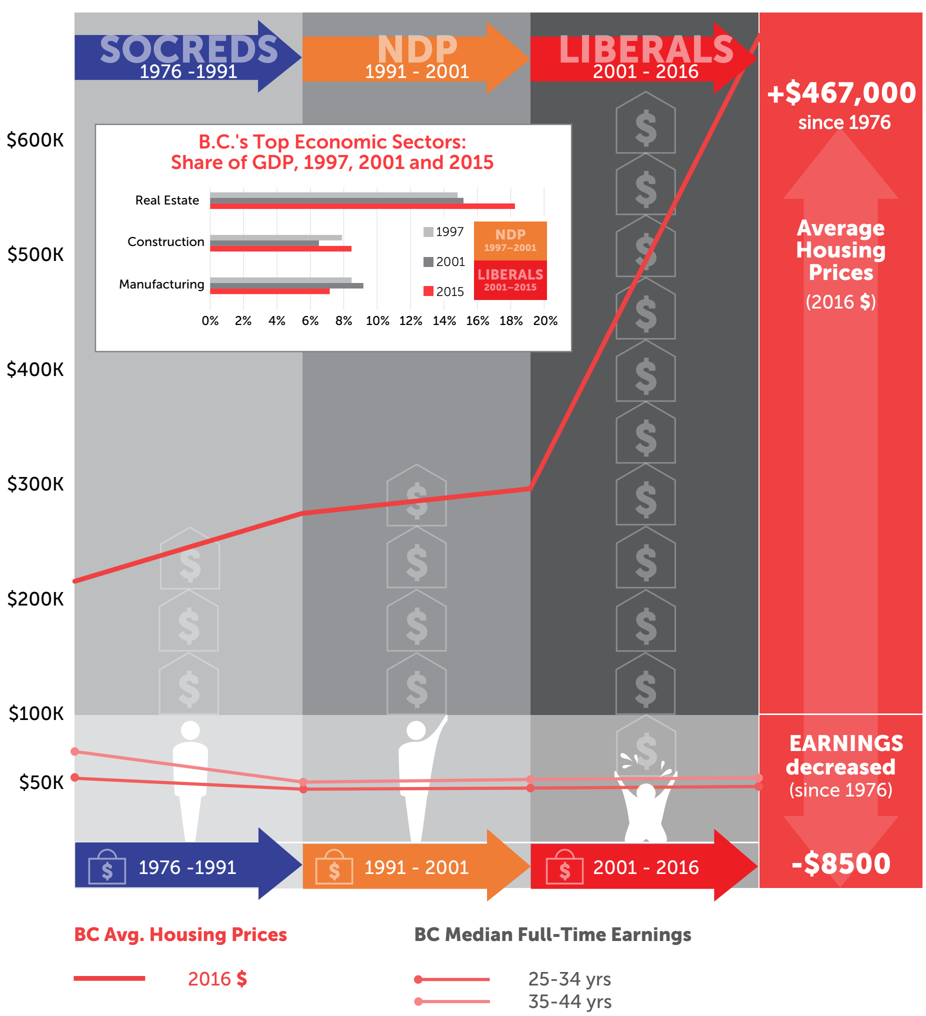
CODERED

B.C. is the worst performing economy in Canada for younger generations

Dr. Paul Kershaw, University of B.C.

How earnings & home prices change as real estate drives economic growth



GENERATION squeeze

Suit up, Spread out, Squeeze back.

Generation Squeeze is building a powerful voice for Canadians in our 20s, 30s, 40s and our children in the world of politics and the marketplace. We are a national collaboration. Vancity Community Foundation is the entity through which our charitable activities are delivered. The Association for Generational Equity (AGE) is the home for our non-profit social enterprise. Research is coordinated by Dr. Paul Kershaw in his University of BC research and knowledge translation lab.

Please direct all correspondence about the article to Dr. Paul Kershaw at:
paul.kershaw@ubc.ca

Citation:
Kershaw, Paul. 2017. "Code Red: B.C. is the worst performing economy in Canada for younger generations." Vancouver, B.C.: Generation Squeeze.

#CodeRed: B.C. is the worst performing economy in Canada for younger generations

Executive Summary

Another election is fast approaching in B.C. Since many citizens will cast their ballot for the party they believe will best steward the provincial economy, Generation Squeeze has prepared this study to showcase the performance of the B.C. economy relative to other provinces and over time.

Our study gives priority to how the economy performs for younger generations (under age 45). As much as possible, we explore data that go back to 1976, and examine trends over the terms in office of the B.C. Liberals (since 2001), B.C. NDP (1991–2001), and the B.C. Social Credit governments (prior to 1991).

The results are clear and concerning. They show that **B.C. is now the worst performing economy in Canada for younger generations**.

At first glance, this finding may surprise some. Canadian governments often judge the success of provincial and national economies by reference to economic growth rates, employment trends and government debt levels. The data we report below will show that B.C. is currently performing reasonably well by comparison with most provinces according to these metrics—although often slightly poorer by comparison with previous B.C. governments.

In this study, however, we show that growth rates and public debt levels provide incomplete, and sometimes distracting, signals about the success of an economy, especially when rising real estate prices are a key driver of these trends. We dig deeper to examine the actual incomes that British Columbians earn, our costs of living, personal debt levels, etc. When we turn our attention to these indicators, the data clearly reveal that the standard of living has deteriorated more dramatically for younger people in B.C. in recent years than anywhere else in the country. For example, we find:

Good-paying jobs are harder to secure: Full-time earnings have fallen more in B.C. than any other province since 1976–80. It's particularly bad for residents age 25–44 who now earn $8,000 to $10,000 less (after inflation). Young residents have lost $1,200 from their pre-tax earnings since Premier Clark took office.

Home-ownership is much harder: B.C. has lost control of home prices more than any province. It took five years of full-time work to save a 20 per cent down-payment on an average home in 1976–80. It took eight years when the B.C. Liberals came to power in 2001. Now it takes 19 years. B.C. policy makers waited a long time to acknowledge the urgency with which we must adapt policy to protect the link between home prices and earnings. While some of the housing policy changes made in recent months are a step in the right direction (e.g. the 15 per cent foreign buyers tax, and investment in the supply of rental homes), other changes like the interest-free loans for first-time homebuyers are well-intentioned, but badly executed.

Young residents can't keep as much of their hard-earned money: Hard work pays off less for young citizens in B.C. than in any other province. Compared to other parts of Canada, we now have to work years more to save a down payment; months more each year to pay the mortgage on an average-priced home; and rents require more work from us as well.

Whether in Prince George, Kamloops, Kelowna, Victoria, or all the suburbs around Vancouver and beyond, hard work pays off less for young British Columbians than it used to. In fact, just since 2001, the data show that typical younger British Columbians have lost an entire decade of hard work when measured by the amount of work required to save for a down payment on an average-priced home. MSP tax cuts of up to $450 a person announced in the 2017 provincial budget cannot compensate, and interest-free loans for first-time homebuyers unintentionally exacerbate the root causes of the problem.

Debt is up: When measured as a share of our economy, the B.C. government debt is smaller than that of most provinces, and has declined somewhat over the last 15 years. However, when measured per person, the B.C. debt is slightly higher today than in 2001.

The provincial government's approach to managing its fiscal balance-sheet and the economy has imposed alarming amounts of personal debt on younger British Columbians compared to the national average. In addition to high home costs, young people's personal debt is growing because postsecondary tuition increased more in B.C. than in any other province since the B.C. Liberals took office, and childcare now costs double university tuition.

B.C. has been an environmental leader by launching the first carbon tax in the country in 2008. Still, three other provinces have better greenhouse gas footprints than B.C., and our province has made no progress reducing our footprint since Ms. Clark became premier. This leaves a large environmental debt for younger residents with emissions in B.C still around 10 times higher than is sustainable for the coming decades.

Highest rates of early childhood vulnerability: Since hard work pays off less for residents in our 20s, 30s and early 40s in B.C. than elsewhere in Canada, the provincial economy is squeezing the generations in their prime child bearing and rearing years for time, money, services and a sustainable environment. When the economy squeezes the generations raising young children, it risks squeezing the kids that they raise. It is therefore not surprising that B.C. is home to the highest rates of early childhood vulnerability in the country. This means a greater portion of our children are at risk to fail, go to jail and wind up sick as adults.

Growth for What?

When decision-makers point with pride to B.C.'s relatively high rates of economic growth and job creation by comparison with other provinces, Generation Squeeze encourages all British Columbians to step back and consider two things.

The first is the historical context for the claims being made about current growth and employment numbers. The annual rate of economic growth under the B.C. Liberals (2001 onwards) is slightly lower than the annual rate of economic growth when the B.C. NDP were in office (1991–2001). Unemployment also fell more for younger citizens between 1991 and 2001, than it has since 2001. Both the B.C. Liberal and B.C. NDP governments outperformed B.C. Social Credit governments (prior to 1991) on economic growth and unemployment.

The second is that gross domestic product (GDP) and employment indicators are insufficient metrics to evaluate the performance of the B.C. economy. It is time we asked instead: What kind of growth are we achieving? Growth that compromises the standard of living for British Columbians in our 20s, 30s and 40s, along with our children, is clearly not an adequate measure of the success of our economy. At bottom, we should judge an economy over time in terms of whether it requires more, or less, work from citizens to cover our major costs of living, and whether it is sustainable. In these regards, the growth that B.C. has reported of late has failed its younger citizens.

What citizens do with this information when deciding how to cast their ballot in the next election is a personal choice. Generation Squeeze does not recommend or endorse any political party. We simply present data to help citizens become better-informed when making political decisions. We also encourage citizens to urge all political parties to integrate into their election platforms the following 10 policy principles to recalibrate the economy to work for all generations. The principles for housing policy reform (numbers two through nine) were shaped in collaboration with experts throughout the housing ecosystem, including developers, realtors, landlords, non-profit housing organizations, city planners, municipal mayors, academics, renters, home-owners and others. Much of this consultation took place at the "Building Housing Common Ground" event hosted by Generation Squeeze on October 25, 2016. See: http://bit.ly/CodeRedBHCG.

1. **Monitor and report the age distribution of government spending**
2. **Prioritize homes first, investments second**
3. **Encourage density, diversity and efficiency to increase the supply of suitable homes**
4. **Level the playing-field between renters and owners**
5. **Innovate with new tenure and equity models to achieve more below-market housing**
6. **Revise tax policy to slow down the escalation of home prices and raise revenue fairly for medical care and other social policy**
7. **Recognize low interest rates cut both ways for younger generations**
8. **Modernize the treatment of age in housing policy**
9. **Go beyond housing policy to ensure child care, parental leave, transit, etc. no longer add up to mortgage-sized payments**
10. **Implement the "Acting on Climate Change" recommendations developed by more than 60 Canadian researchers representing every province**

We describe these principles in the full report, because we believe governments must start with clear first principles in order to ease the squeeze on younger Canadians in our cities, provinces and nationally. As we consider the policy adaptations motivated by these principles, we know that specific policy adjustments may need to address the particularities of communities and regions, and may evolve over time as circumstances change or new research evidence becomes available.

Generation Squeeze invites those motivated by a vision of B.C. and Canada that works for all generations to join us in endorsing and promoting these policy principles.

With respect to the upcoming 2017 B.C. election, after the release of this report we will prepare a short briefing for candidates and parties summarizing the policy commitments that we recommend for all party platforms.

As we approach voting day, we will refer to that summary in order to interpret and asses the party platforms for the Generation Squeeze network.

Suit Up, Spread Out and Squeeze Back with us (www.gensqueeze.ca), because we know that politics responds to those who organize and show up.

#CodeRed: B.C. is the worst performing economy in Canada for younger generations

Full Report

As we approach the B.C. election, all provincial political parties will be jockeying for position to earn the trust of British Columbians. Many citizens will cast their ballot based on which party they believe will best steward the provincial economy. To support voters to make informed decisions, Generation Squeeze has prepared this study to showcase the performance of the B.C. economy relative to other provinces and over time, with a priority focus on how the economy performs for younger generations (under age 45).

Whenever available data permit, we analyze the B.C. economy today compared to 1976, which is around the time that the majority of today's aging population (Baby Boomers) started out as young adults. This allows us to examine how circumstances have changed for generations of young adults over the last four decades. In addition, we break down the data to examine economic indicators that coincided with different governments in power, paying particular attention to trends:

- following 2011 when premier Clark became premier;
- since 2001, when the B.C. Liberals came to power;
- between 1991 and 2001 when the B.C. NDP held office; and
- between 1976 and 1991, when B.C. Social Credit governments were in power.

The conclusion revealed by the data is alarming: **B.C. is the worst performing economy in Canada for younger generations. Hard work pays off less now in B.C. than in any other province in the country.** Why? Two reasons. First, B.C. suffers the largest reduction to full-time earnings for younger Canadians of any province compared to wage levels in 1976. Second, home prices have skyrocketed in B.C. faster than anywhere else in the country. It now takes much more work for younger British Columbians to cover the major cost of living—housing (Kershaw & Minh, 2016). On top of all this extra work, younger generations are amassing more personal, government and environmental debt. The resulting deterioration in the standard of living is frightening—akin to an escalator that is going down far faster than most young adults (and any children they have) can scramble up. As a result, B.C. is home to higher rates of vulnerability when children start school of any province in Canada (Canadian Institute for Health Information (CIHI), 2014) —vulnerability that means B.C. children are at undue risk to fail, go to jail, and wind up sick as adults.

At Generation Squeeze, we believe this #CodeRed deterioration in the standard of living for younger British Columbians must become a priority issue in the upcoming election, and we ask all parties to propose bold policy solutions in support of a vision of B.C. and Canada that works for all generations. We present the data below to help guide deliberation about the scale of the problems facing younger British Columbians in an economy that is badly letting them down. We also propose 10 policy principles to recalibrate the economy to work for all generations.

In addition to motivating policy responses from political parties, we hope the evidence and solutions we present will light a fire under younger generations to engage in elections. Politics responds to those who organize and show up. At Generation Squeeze, we do not care which party people choose to support. But we do know that all parties are more likely to run on platforms that will ease the time, money, service and environmental squeeze facing younger generations if we build a powerful political voice, and deploy it in advance of voting day.

Growth and Jobs

Tables 1 and 2 anticipate what will be a dominant focus in the upcoming election: growth and jobs. Annual gross domestic product (GDP) growth in B.C. since 2011 (when Premier Clark took office) is 2.9 per cent, and B.C.'s unemployment rate for younger citizens is 5.5 per cent. Both indicators are strong by comparison with other provinces now. It is therefore understandable why the incumbent B.C. Liberal government routinely features these indicators when publicly reporting the province's economic progress.

When assessed in historical context, however, the GDP and employment trends of the last five years are not particularly noteworthy. While these metrics do reveal more robust economic performance by comparison with when B.C. Social Credit governments held office before 1991, they are not as strong as the trends that occurred while the B.C. NDP were in office. For instance, Table 1 shows that the B.C. economy grew slightly more slowly under the B.C. Liberals (2.7 per cent/year) than it did under the B.C. NDP (2.8 per cent/year). Similarly, Table 2 shows that the B.C. Liberals have reduced unemployment for younger generations less over their 16 year term (1.8 percentage points) than did the B.C. NDP during its decade in office (2.3 percentage points).

Table 1. Annual Change in GDP (%)

	since 1981	since 2011	since 2001	2001 minus 1991	1991 minus 1981
		Premier Clark	BC Liberals	BC NDP	BC Social Credit
Canada	2.4	1.9	2.0	3.3	2.1
Newfoundland	2.3	-0.5	2.5	2.2	2.3
Prince Edward Island	2.4	1.5	2.0	3.0	2.4
Nova Scotia	1.9	0.2	1.1	2.2	2.6
New Brunswick	2.0	0.2	1.1	2.5	2.6
Quebec	1.9	1.2	1.6	2.9	1.4
Ontario	2.6	2.0	1.7	3.8	2.7
Manitoba	2.1	2.4	2.3	2.3	1.6
Saskatchewan	2.1	2.3	2.3	2.0	1.8
Alberta	3.0	2.7	3.0	4.0	2.0
British Columbia	2.5	2.9	2.7	2.8	2.0

Source: Author Calculations based on Statistics Canada CANSIM Table 384-0038. "Gross domestic product, expenditure-based, provincial and territorial, annually (Dollars unless specified)."

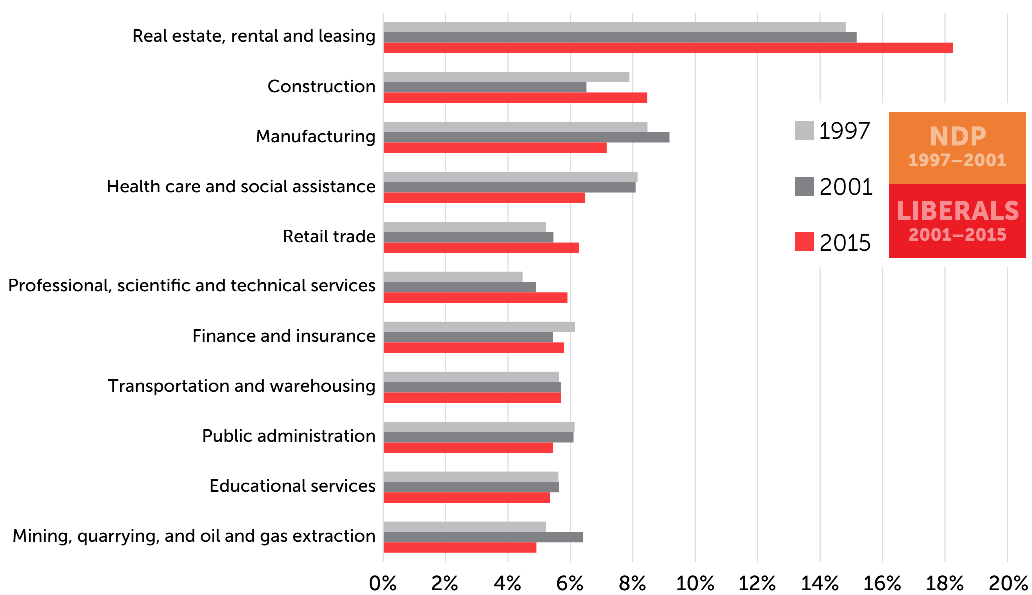
Table 2. Unemployment Rate (%), Age 25–44

	2016	Change since 1976/80	Change since 2011	Change since 2001	2001 minus 1991	1991 minus 1976
			Premier Clark	BC Liberals	BC NDP	BC Social Credit
Canada	6.2	-0.1	-0.3	-0.3	-3.3	+4.1
Newfoundland	12.4	-1.5	+2.5	-2.8	-1.4	+5.3
Prince Edward Island	8.9	+0.4	-1.4	-2.0	-5.8	+9.1
Nova Scotia	7.4	-0.4	-0.6	-1.3	-2.7	+4.1
New Brunswick	7.8	-1.8	-0.1	-2.1	-2.1	+2.3
Quebec	6.4	-1.2	-0.5	-1.7	-3.4	+4.9
Ontario	5.7	+0.8	-1.3	+0.2	-3.5	+3.8
Manitoba	5.2	+0.3	+0.3	+0.9	-3.6	+4.1
Saskatchewan	5.8	+1.0	+1.5	+0.6	-1.6	+3.5
Alberta	7.0	+1.6	+2.5	+2.9	-3.9	+5.3
British Columbia	5.5	-0.7	-1.1	-1.8	-2.3	+3.0

Source: Author Calculations based on Statistics Canada CANSIM Table 282-0002 "Labour force survey estimates (LFS), by sex and detailed age group, annually (Persons unless specified)."

The growth that B.C. has experienced over the last 15 years reflects acceleration in growth primarily in one part of the economy—the real estate sector. Real estate, rental and leasing now represent nearly one-fifth of our province's total gross domestic product (GDP). Although real estate has been a leading industry in B.C. for some time, Figure 1 shows that no other industrial sector approximates this level of growth over the same time-period.

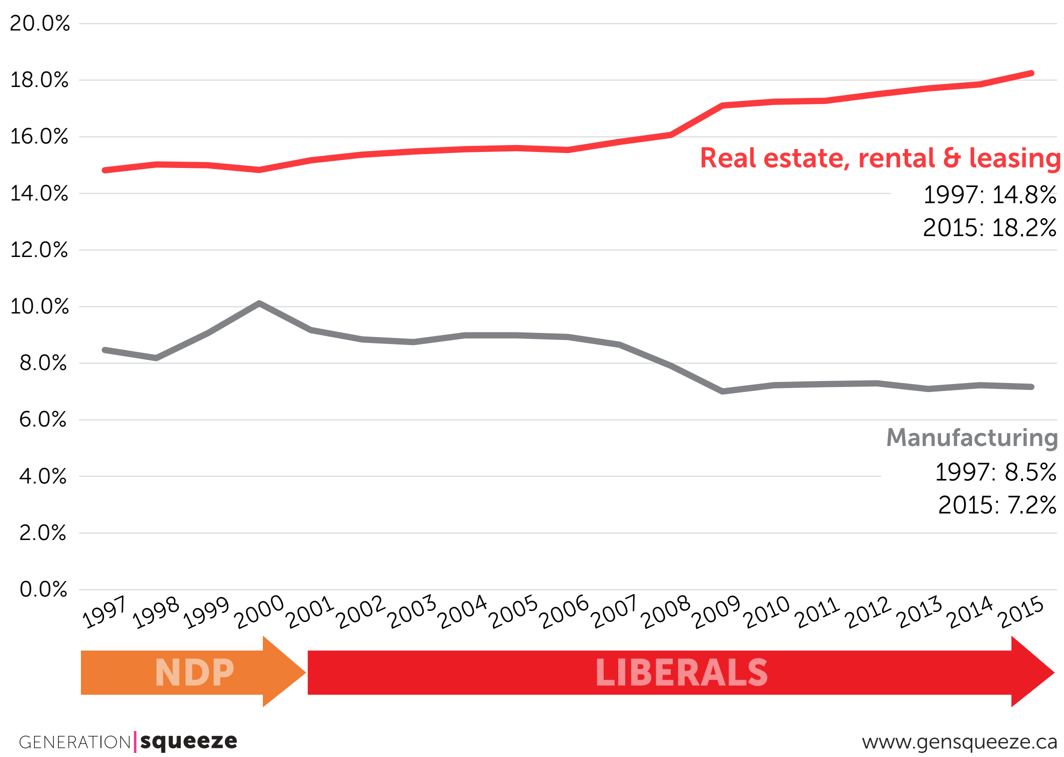
Figure 1. B.C.'s Top Economic Sectors: Share of Gross Domestic Product, 1997, 2001 & 2015



Source: Statistics Canada (CANSIM Table 379-0030).

Figure 2 features the trend lines for real estate and manufacturing industries in B.C. as a percentage of the economy over the last two decades. Manufacturing has been falling behind as a contributor to the B.C. economy since around the year 2000.

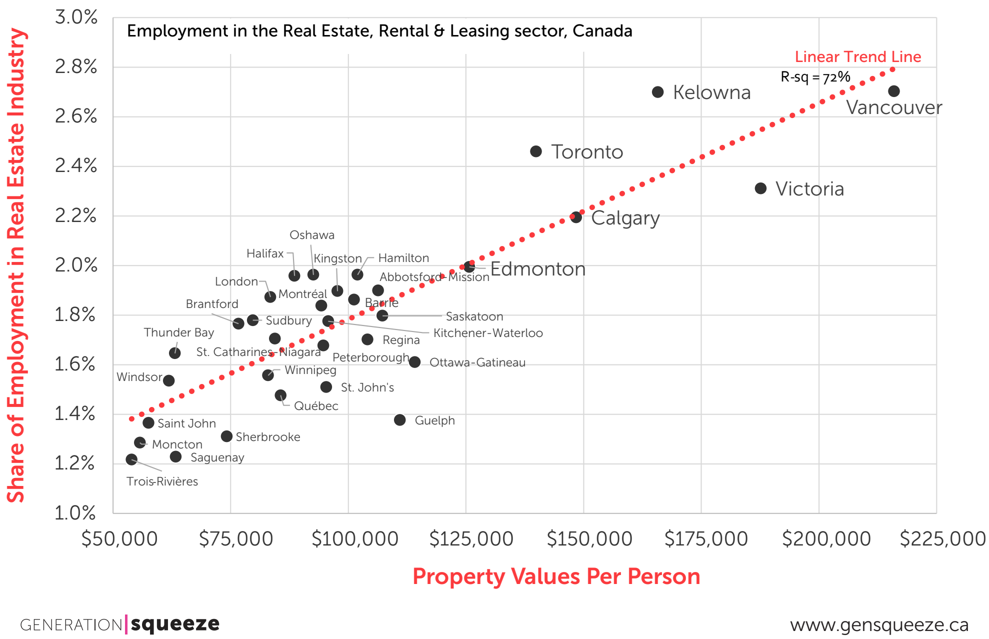
Figure 2. B.C.'s Real Estate & Manufacturing Sectors: Share of Gross Domestic Product, 1997–2015



Source: Statistics Canada (CANSIM Table 379-0030).

Despite the fact that real estate, rental and leasing now represent over 18 per cent of our economy, data collected by the Neighbourhood Change Research Partnership at the University of Toronto suggest that a much smaller proportion of British Columbians find employment in that industry. Even in Vancouver, Victoria and Kelowna—regions where home prices have increased the most—Figure 3 shows that real estate, rental and leasing represent less than three per cent of employment. These data suggest that the escalating home prices that have driven B.C.'s economic growth since 2001 have not also grown employment opportunities at a corresponding pace. Such growth comes with the cost that the wages which younger British Columbians can earn in the labour market fall behind their major cost of living—housing. We examine this cost in more detail in the following sections.

Figure 3. Residential Property Values and Real Estate Employment Census Metropolitan areas, Canada, 2011



Source: Statistics Canada, CANSIM. Table 026-0018. National Household Survey, 2011, Table 99-012-X2011030. Chart prepared by the Neighbourhood Change Research Partnership, www.NeighbourhoodChange.ca.

Managing the Economy: What kind of growth? What kind of jobs?

High level GDP and employment indicators are insufficient on their own to evaluate the performance of the B.C. economy, especially when Government of BC (n.d.) data reveal our real estate sector is the biggest contributor to our gross domestic product. We need to dig deeper to analyze how economic growth affected the standard of living for residents, and influenced the quality of the jobs that were created—especially how much they pay. At bottom, it is important to learn whether the economy requires citizens to do more, or less, work in order to cover major costs of living. In this regard, the growth that B.C. has reported of late has failed its younger citizens.

Earnings have dropped more for younger citizens in B.C. than any other province since 1976

Table 3 analyzes the change in earnings for typical (i.e. median) Canadians age 25–34 over time. The most recent data from Statistics Canada are for 2014, and all data for previous years in Table 3 have been inflation-adjusted into 2014 currency.

In this section, we focus attention on full-time, full-year work so as not to let the rise in part-time jobs since 1976 compromise the comparisons of earnings over time. We also examine the average change for the period from 2010–2014 compared to 1976–1980 in order to guard against cherry picking particular years in the business cycle when making historical comparisons. This results in a more conservative analysis than, for example, the more straightforward comparison between 1976 and 2014, which shows an even steeper decline in earnings.

The data are clear that young people in British Columbia have suffered the largest reduction to pre-tax earnings of any jurisdiction in the country by comparison with when today's aging population was young. Full-time earnings are down over $8,000 for the typical 25-34 year old in B.C., whereas the average decline across Canada was only $4,000. Ontario, which reports a per capita carbon footprint better than B.C.'s (see Table 10), experienced half the reduction of B.C. Wages rose in Alberta and were stable in Saskatchewan, but these patterns coincide with the largest carbon footprints in Canada—over 40 times higher than what the Intergovernmental Panel on Climate Change estimates will protect the climate for younger Canadians in the decades ahead. As a generational cohort, young Canadians cannot escape a financial squeeze by exacerbating the environmental squeeze. We need a secure climate and secure earnings.

Although the harm of declining wages disproportionately skews toward younger citizens, B.C. has suffered the worst trends in full-time earnings for all age groups of any province in Canada. As full-time earnings fell over $8,000 for the typical 25–34 year old in B.C., they fell even more (by $9,600) for the typical 35–44 year old; $6,700 for the typical 45–54 year old; and $3,380 for the typical 55–64 year old. All working age British Columbians can unite in frustration that our economy has tolerated significant declines in full-time earnings by comparison with 40 years ago.

Over the same period, income for the typical person age 65-plus increased $11,260 since 1976–80 (but we do not control for full-time hours for this age group because relatively few continue in employment). This increase in B.C. surpassed the gain reported nationally for those over age 65. That said, seniors continue to report lower average incomes than do younger age groups in our province and across the country in keeping with their shift from paid work into retirement.

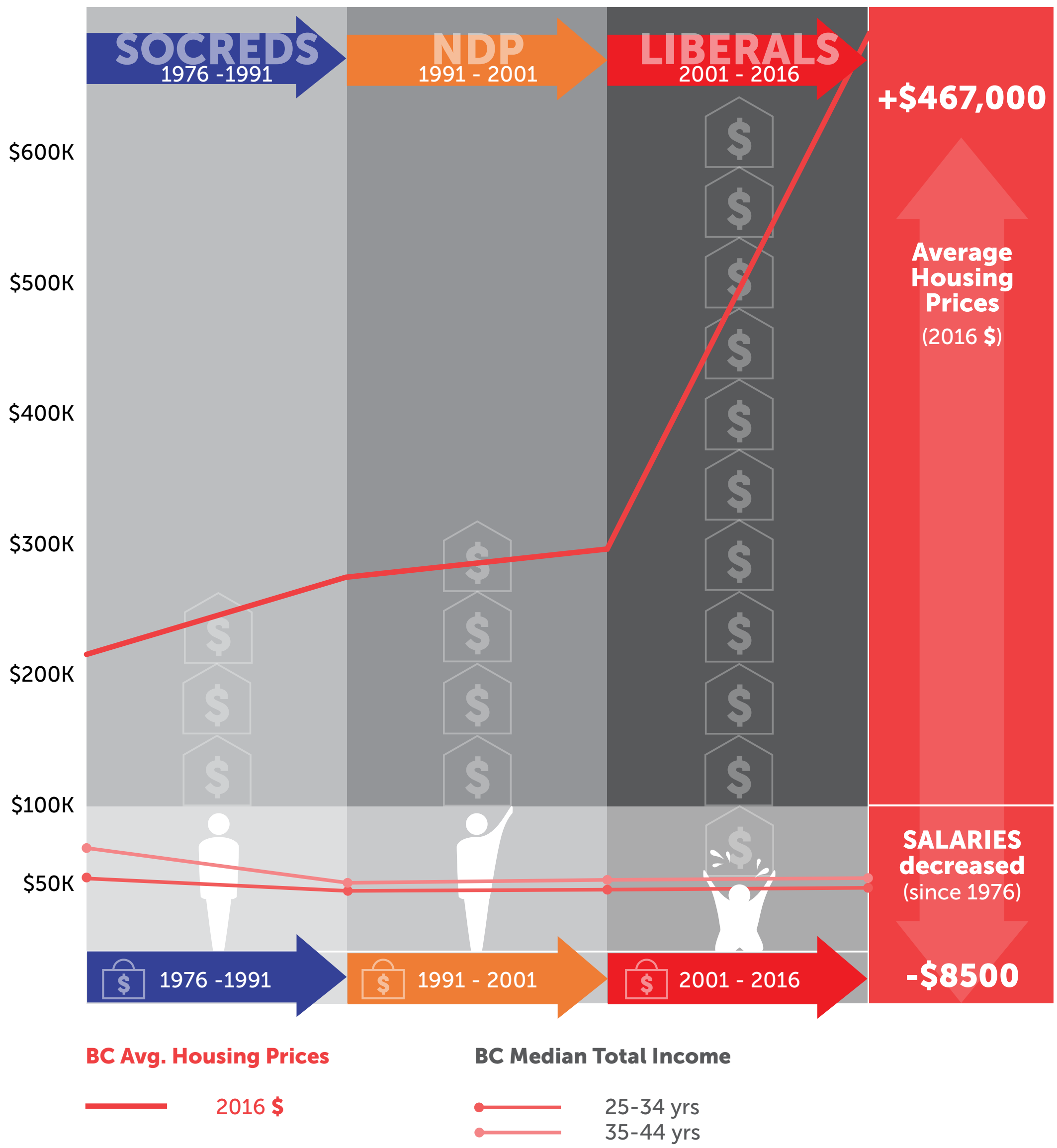
Table 3. Median Full-Time Earnings ($), Age 25–34

	2014	2010–2014 minus 1976–1980	2014 minus 2011	2014 minus 2001	2001 minus 1991	1991 minus 1976
			Premier Clark	BC Liberals	BC NDP	BC Social Credit
Canada	47,400	-4,020	-1,200	+2,800	+200	-8,900
Newfoundland	52,700	+ 2,540	+2,000	+15,000	-2,400	-4,800
Prince Edward Island	38,400	-40	-1,900	+4,400	-3,700	-5,200
Nova Scotia	45,400	-3,620	+2,100	+8,600	-4,600	-8,300
New Brunswick	45,700	-2,040	+1,000	+6,500	-400	-6,600
Quebec	44,000	-4,960	-900	+2,900	-100	-7,100
Ontario	46,000	-4,600	-2,500	-1,400	+200	-9,500
Manitoba	43,400	-3,380	-2,800	+3,700	-400	-11,400
Saskatchewan	50,900	-	-3,300	+6,900	+2,600	-14,300
Alberta	60,700	+2,320	+600	+13,400	+1,900	-12,700
British Columbia	48,800	-8,440	-1,200	+2,200	+1,500	-10,000

Source: Author Calculations based on Statistics Canada, Income Statistics Division, Survey of Labour and Income Dynamics (1976 to 2011) and Canadian Income Survey (2012 to 2014), Custom table C796331 "Income of individuals, by sex, age group and income source, 2014 constant dollars, Canada, provinces, Full-Time, Full-Year Earners only."

The reduction to earnings for young British Columbians coincided with the leadership of Social Credit governments prior to 1991. Earnings began to rebound a little thereafter under both the B.C. NDP and the B.C. Liberals. However, Table 3 shows that progress has stalled since 2011. Full-time earnings have fallen $1,200 for the typical 25–34 year old in B.C. since Premier Clark took office.

Figure 4. How Earnings and Home Prices Change as B.C. Governments Change



Managing Housing Costs: Home prices rose more rapidly in B.C. than in any other province

The dramatic decline in earnings reported for young people in B.C. would not be so problematic if the primary cost of living—housing—also fell correspondingly in price. However, the exact opposite has been the case in B.C. since 1976–80. Table 4 shows that the average home price in B.C. (including condos, apartments, houses, etc.) is nearly $700,000—over $150,000 higher than the next most expensive province, Ontario. While the escalation in home prices has reached a #CodeRed status across Canada (Kershaw & Minh, 2016), B.C. is the canary in Canada's housing coalmine alerting the entire nation to the challenges that arise for younger generations when housing markets grow out of control.

While the decline in young British Columbians' earnings coincided with B.C. Social Credit governments, the harm to young peoples' home purchasing power has occurred predominantly under the watch of the B.C. Liberals. Since 2001, average B.C. home prices have increased $398,000 in B.C. That increase alone is more than the average cost of housing in all other provinces except Ontario!

In many instances, young British Columbians are paying more to get less. The high home prices paid by younger adults today purchase apartments or condos with balconies, as opposed to houses with yards, more often than a generation ago.

Since Premier Clark took office, home prices in B.C. have risen nearly $90,000. Only Ontario reports a greater increase over the last five years.

Table 4. Average Home Prices ($)

		Increase (in 2016 $)				
	2016	since 1976–80	since 2011	since 2001	2001 minus 1991	1991 minus 1976
			Premier Clark	BC Liberals	BC NDP	BC Social Credit
Canada	490,495	292,518	101,561	264,413	-4,606	32,710
Newfoundland	257,589	106,266	-12,247	120,342	-3,812	-10,264
Prince Edward Island	180,263	55,067	18,295	64,591	5,347	-14,871
Nova Scotia	220,737	61,227	-5,911	69,647	16,802	-25,222
New Brunswick	163,793	23,818	-8,401	37,630	519	-14,332
Quebec	283,306	140,926	10,653	137,051	-13,401	17,276
Ontario	535,931	334,585	143,720	281,058	-12,218	65,745
Manitoba	277,493	123,072	24,895	154,869	-2,319	-29,478
Saskatchewan	295,455	138,328	17,112	167,080	23,018	-51,770
Alberta	394,576	146,446	15,539	192,213	29,215	-74,982
British Columbia	691,144	474,338	89,111	398,150	31,702	44,487

Source: Author Calculations based on Canadian Real Estate Association data.

The Housing Squeeze Index: Hard work pays off less for young adults in B.C. than any other province

The standard of living for individuals is shaped largely by the amount for which they can sell their labour power, and how far they can stretch those earnings to cover the major cost of living. On these terms, the standard of living has deteriorated dramatically for younger British Columbians—more so than in any other province, especially since 2001.

We developed the Housing Squeeze Index to measure and monitor this #CodeRed deterioration over time. The Housing Squeeze Index measures how much work people must perform in order to afford the following housing related costs:

a. a 20 per cent down payment on an average-priced home (measured in years of full-time work);

b. the remaining annual mortgage (measured in months of full-time work); and

c. average rent on a three-bedroom apartment (measured in months of full-time work).

Over time, the data make clear that the growing gap between earnings and home costs is squeezing younger Canadians between time and money pressures.

Housing Squeeze Index: Years to save a 20 per cent down payment

Our analysis of the number of years of full-time work required now and in the past to save a 20 per cent down payment on an average home is informed by Rea et al. (2008) who show that the majority of middle quintile (i.e. middle-income) earners in Canada spend on average 15 per cent of their pre-tax income on shelter costs. Following Statistics Canada, they calculate that citizens reach the upper limits of housing affordability when they spend 30 per cent of their pre-tax income on shelter. Given these findings, our Squeeze Index assumes that the typical person trying to buy into the housing market can save 15 per cent of their income for a down payment on top of whatever rent or other shelter payments they make.

This assumed rate of saving is more aggressive than the 10 per cent saving rate assumed by CityLab (2012) when making similar calculations for U.S. cities. Our index may therefore be critiqued for underestimating the amount of time required to save the down payment. In other words, the results of our Squeeze Index would look even worse for B.C. (and all of Canada) if we were to follow the methodology in the U.S.

Table 5 shows that it now takes 19 years of full-time work for a typical young British Columbian (age 25–34) to save a 20 per cent down payment on an average-priced home. That is over five years more than the national average of 13.4 years.

It did not used to be so hard. When today's aging population were young adults (1976–80), it only took five years of full-time work to save the 20 per cent down payment on an average-priced home in B.C. and across Canada.

Table 5. Housing Squeeze Index, Years of Full-Time Work to Save 20% Down Payment

	Years of full-time work to save 20% down payment required in 2016	Additional years of full-time work required for young adult to save a 20% down payment				
		2012/16 minus 1976/80	since 2011	since 2001	2001 minus 1991	1991 minus 1976
			Premier Clark	BC Liberals	BC NDP	BC Social Credit
Canada	13.4	6.8	3.0	6.8	-0.2	1.6
Newfoundland	6.6	3.2	-0.3	1.9	0.2	4.6
Prince Edward Island	5.8	1.5	0.6	1.4	0.6	0.8
Nova Scotia	6.6	2.3	-0.2	1.3	1.1	-0.3
New Brunswick	4.8	0.9	-0.2	0.6	0.1	-0.1
Quebec	8.4	4.7	0.5	3.7	-0.4	n/a
Ontario	14.5	7.6	4.0	7.5	-0.4	2.2
Manitoba	8.1	3.8	1.0	4.0	0.0	0.0
Saskatchewan	7.3	3.5	0.7	3.6	0.5	-0.4
Alberta	8.8	3.1	0.6	3.2	0.6	-0.6
British Columbia	18.5	11.4	2.8	10.3	0.6	2.3

Source: Author Calculations based on (i) Statistics Canada, Income Statistics Division, Survey of Labour and Income Dynamics (1976 to 2011) and Canadian Income Survey (2012 to 2014), Custom Table C796331 "Income of individuals, by sex, age group and income source, 2014 constant dollars, Canada, provinces, Full-Time, Full-Year Earners only;" and (ii) Canadian Real Estate Association data.

Now 14 years of additional work are required to save the down payment in B.C. That is a massive deterioration in terms of what hard work can achieve in this province. It begs the question: why are we pursuing an economic growth strategy that is compromising the standard of living so much for younger Canadians?

Figure 5. How Years of Work to Save Down Payment Change as B.C. Governments Change

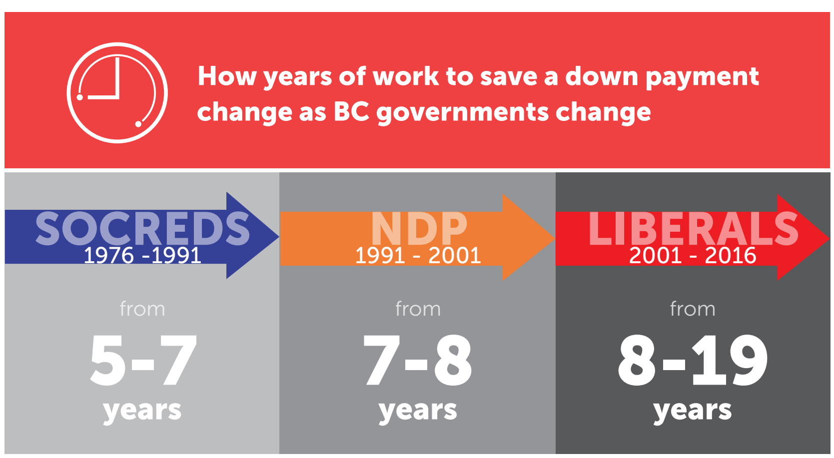


Table 5 reveals that most of this deterioration has occurred since 2001. Younger British Columbians had to accept an extra two years of work to save for an average-priced home while the B.C. Social Credit governments were in office. They had to accept another half year of work over the decade the B.C. NDP were in office. Thereafter, the Housing Squeeze Index shows that provincial governments lost control of the economy for their youngest citizens. **One interpretation of Table 5 is that an entire decade of hard work has been lost for younger British Columbians while the B.C. Liberals have been in office when measured by the work required of young residents to establish their own home.** Three of those years have been lost since Premier Clark took over as B.C.'s Premier.

Although the average figures for the province are shaped by housing markets in the lower mainland, there is no escaping the Squeeze for younger citizens in any region of British Columbia (See Table 6).

For example, between 1976–80, it took four years of full time work to save for an average-priced home in **Prince George**. Now it takes 7 years, which means younger citizens of this region lose much of the output from three years of hard work. All of this time has been lost since 2001.

It used to take 4 years to save the down payment in **Kamloops**. Now it takes 9 years. Young British Columbians lost 4.5 of those years since 2001.

Four years was enough full-time work to save a 20 per cent down payment in **Kelowna** in 1976–80, but now the typical young adult will need to work 12 years. More than six of those years of hard work have been lost since 2001.

In **Victoria** (and the capital regional district more generally), it used to take 5 years to save a 20 per cent down payment. Now, the typical aspiring home-owner must labour for 16 years to accomplish the same goal. Eight of those extra years of work have been imposed since 2001.

And last, but definitely not least, there is **Metro Vancouver** (which includes Richmond, Delta, Surrey, the Langleys, Maple Ridge, Pitt Meadows, the Tri Cities, the North Shore and Vancouver). This region is where half of British Columbians live. Back in the day (1976–80), the typical young adult had to work full-time for six years to save the 20 per cent down payment. Now, the same aged young citizen must work 27 years if they are audacious enough to aspire for an average-priced home (which is far less often a house than it used to be). Seventeen of the additional 21 years of work have been added since the B.C. Liberals took office in 2001. In fact, **for every year that Ms. Clark has been Premier, young adults in Metro Vancouver have fallen a further year behind in terms of saving for a home.**

Table 6. Housing Squeeze Index, Years of Full-Time Work to Save 20% Down Payment, by Region

	Years of full-time work to save 20% down payment required in 2016	Additional years of full-time work required for young adult to save a 20% down payment				
		2012/16 minus 1976/80	since 2011	since 2001	2001 minus 1991	1991 minus 1976
			Premier Clark	BC Liberals	BC NDP	BC Social Credit
Canada	13.4	6.8	3.0	6.8	-0.2	1.6
British Columbia	18.5	11.4	2.8	10.3	0.6	2.3
Metro Vancouver	26.7	17.2	5.3	17.2	-0.5	4.1
Victoria	15.9	8.9	2.1	7.5	1.4	1.4
Kelowna	12.3	7.1	1.8	6.4	0.9	0.6
Kamloops	9.2	5.1	0.8	4.4	1.2	-0.5
Prince George	7.0	3.1	0.9	3.0	0.7	3.3

Source: Author Calculations based on (i) Statistics Canada, Income Statistics Division, Survey of Labour and Income Dynamics (1976 to 2011) and Canadian Income Survey (2012 to 2014), Custom Table C796331 "Income of individuals, by sex, age group and income source, 2014 constant dollars, Canada, provinces, Full-Time, Full-Year Earners only;" and (ii) Canadian Real Estate Association data.

Housing Squeeze Index: Months of full-time work to pay for annual mortgage on average-priced home

Saving a down payment is one factor in home-ownership. Managing mortgage payments is another. It is therefore important to know how many months per year people are working to pay for their mortgage.

To compare how this pressure has changed over time, we not only need to consider earnings relative to housing costs, but also interest rates. We worked with the mortgage calculator used by Vancity Credit Union to calculate total monthly payments (capital plus interest) for five-year, fixed-rate mortgages for average-priced homes less a 20 per cent down payment and amortized over 25 years. We compare the periods 1976–1980 to 2012–16 for Canada, all provinces, and the five regions in B.C. identified above.

Statistics Canada data (CANSIM Table 176–0043 "Financial Market Statistics") show that average five-year term mortgage interest rates fluctuated from a low of 10.32 to a high of 13.26 per cent between 1976 and 1980, roughly triple the low of 3.76 and the high of 4.38 per cent during the five-year period ending in 2016. As a result, many might think that it is easier for young people to pay their annual mortgages today than in the past. Generally, this is not true. Despite much more favourable borrowing rates, Table 7 shows that today's higher home prices mean the typical 25–34 year old Canadian must still devote an extra month of their paid work each year to cover annual mortgage costs than did the same aged Canadian in 1976–1980. Young Canadians used to devote around five months of their work-year to mortgage costs. Now the typical younger Canadian must work six months to cover the mortgage on an average-priced home, on top of squeezing in over eight years more to save the down payment.

Even when interest rates rose to over 18 per cent in 1982—the year with the highest interest rates in Canada over the last four decades—the number of months the typical Canadian had to devote to pay the annual mortgage was no higher than it is today.

Table 7. Housing Squeeze Index, Months of Full-Time Work to Pay Annual Mortgage on Average-Priced Home

	Months of full-time work to pay annual mortgage on average-priced home (2016)	Change in months of full-time work to pay annual mortgage on average-priced home				
		2012/16 minus 1976/80	since 2011	since 2001	2001 minus 1991	1991 minus 1976
			Premier Clark	BC Liberals	BC NDP	BC Social Credit
Canada	5.9	+1.0	+0.9	+1.7	-1.9	+1.5
Newfoundland	2.9	-0.2	-0.4	-0.1	-1.1	+4.1
Prince Edward Island	2.6	-0.9	+0.1	-0.2	-0.6	+0.7
Nova Scotia	2.1	-1.1	-0.3	-0.5	-1.0	+0.0
New Brunswick	2.9	-0.7	-0.3	-0.4	-0.4	-0.2
Quebec	3.7	+0.6	-0.1	+0.8	-1.6	n/a
Ontario	6.4	+1.5	+1.4	+2.0	-2.2	+2.1
Manitoba	3.6	+0.1	+0.2	+1.0	-1.1	+0.1
Saskatchewan	3.3	+0.1	+0.1	+0.8	-0.6	-0.3
Alberta	3.9	-0.9	-0.1	+0.3	-0.9	-0.4
British Columbia	8.2	+3.2	+0.7	+3.0	-1.6	+2.1

Source: Author Calculations based on (i) Statistics Canada, Income Statistics Division, Survey of Labour and Income Dynamics (1976 to 2011) and Canadian Income Survey (2012 to 2014), Custom Table C796331 "Income of individuals, by sex, age group and income source, 2014 constant dollars, Canada, provinces, Full-Time, Full-Year Earners only;" (ii) Canadian Real Estate Association data; (iii) Statistics Canada CANSIM Table 176-0043 "Financial Market Statistics;" and (iv) Vancity Credit Union mortgage calculator (available at: https://www.vancity.com/Mortgages/MortgageCalculators/).

In British Columbia, young citizens have to work over two months more than the national norm to pay their mortgages. Table 7 shows that the typical 25–34 year old must devote more than 8 months of their full-time work-year to cover mortgage costs on an average-priced home in B.C.

The need for young British Columbia citizens to devote more work-time each year to cover annual mortgage payments began during the Social Credit party's time in office. The pattern reversed while the B.C. NDP were in office from 1991 to 2001, and then resumed its upward trend, coinciding with successive B.C. Liberal governments. Since 2001, B.C.'s economy has imposed an additional three months of work on the typical young resident when it comes to paying for a mortgage on an average-priced home. Nearly one month of that extra work has been added since Premier Clark became leader.

Table 8 reveals that additional work-time to pay the annual mortgage on an average-priced home is required in regions across B.C., especially since 2001.

Table 8. Housing Squeeze Index, Months of Full-Time Work to Pay Annual Mortgage on Average-Priced Home, by Region

	Months of full-time work to pay annual mortgage on average-priced home (2016)	Change in months of full-time work to pay annual mortgage on average-priced home				
		2012/16 minus 1976/80	since 2011	since 2001	2001 minus 1991	1991 minus 1976
			Premier Clark	BC Liberals	BC NDP	BC Social Credit
Canada	5.9	+1.0	+0.9	+1.7	-1.9	+1.5
British Columbia	8.2	+3.2	+0.7	+3.0	-1.6	+2.1
Metro Vancouver	11.8	+5.5	+1.6	+5.8	-2.9	+3.8
Victoria	7.1	+1.2	+0.4	+1.7	-1.0	+0.9
Kelowna	5.5	+1.7	+0.4	+1.7	-0.7	+0.6
Kamloops	4.1	+0.8	+0.1	+1.0	-0.2	-0.3
Prince George	3.1	-0.5	+0.2	+0.6	-0.4	-0.7

Source: Author Calculations based on (i) Statistics Canada, Income Statistics Division, Survey of Labour and Income Dynamics (1976 to 2011) and Canadian Income Survey (2012 to 2014), Custom Table C796331 "Income of individuals, by sex, age group and income source, 2014 constant dollars, Canada, provinces, Full-Time, Full-Year Earners only;" (ii) Canadian Real Estate Association data; (iii) Statistics Canada CANSIM Table 176-0043 "Financial Market Statistics;" and (iv) Vancity Credit Union mortgage calculator (available at: https://www.vancity.com/Mortgages/MortgageCalculators/).

Housing Squeeze Index: Months of full-time work to pay rent

Since B.C.'s economy has weakened to the point that it now takes 19 years for the typical 25–34 year old to save a 20 per cent down payment on an average-priced home, and an extra three months of work per year to cover mortgage costs, the reality is that home-ownership has moved out of reach for many more British Columbians. Young citizens must increasingly come to terms with renting for longer periods, if not indefinitely. Accordingly, the third component of the Housing Squeeze Index examines how much work each year is required to pay the annual rent on a three-bedroom apartment. We choose this apartment size because it is suitable for families with multiple children.

The quality of data about the cost of renting in Canada is not as strong as the quality of data about the costs of home-ownership. For instance, Statistics Canada rental data reach back only to 1992, and they capture rents primarily for purpose-built rental buildings. The data generally miss the rents charged by smaller-scale landlords for condos, apartments, basement suites, etc. In addition, future data collection should prioritize metrics that quantify the stability of tenure in rental homes over time.

Working with these limitations, existing data show that the amount of full-time work required to pay rent each year has fluctuated in B.C. The amount of full-time work required to cover annual rent payments declined in Vancouver, Victoria, Kelowna, Kamloops and Prince George during the period that the B.C. NDP were in office. Thereafter, Table 9 shows that the amount of full-time work to pay average annual rent on a three-bedroom apartment has increased between 10 days and four weeks in those cities.

Table 9. Housing Squeeze Index, Months of Full-Time Work to Pay for Rent

	Months of full-time work to pay for rent in 2016	Change in months of full-time work required to pay annual rent		
		since 2011	since 2001	2001 minus 1992
		Premier Clark	BC Liberals	BC NDP
Vancouver	4.7	+0.4	+0.8	-0.5
Victoria	4.7	+0.5	+0.9	-0.4
Kamloops	3.4	+0.1	+0.4	-0.1
Kelowna	3.5	+0.3	+0.6	-0.2
Prince George	2.8	+0.3	+0.3	-0.3

Source: Author Calculations based on (i) Statistics Canada, Income Statistics Division, Survey of Labour and Income Dynamics (1976 to 2011) and Canadian Income Survey (2012 to 2014), Custom Table C796331 "Income of individuals, by sex, age group and income source, 2014 constant dollars, Canada, provinces, Full-Time, Full-Year Earners only;" and (ii) Statistics Canada CANSIM Table 027-0040 "Canada Mortgage and Housing Corporation, average rents for areas with a population of 10,000 and over."

In sum, the Squeeze Index reveals that hard work no longer pays off for younger Canadians like it used to—especially in B.C. It takes many more years of full-time work to save a down payment, and months more work to pay the annual mortgage. For those for whom home-ownership is out of reach, it also takes more work to pay annual rents—often nearly a month more in regions like Victoria and Metro Vancouver.

All of this extra work has been imposed on younger British Columbians while the provincial economy has been growing at annual rates that surpass the national average, especially since 2001. Such evidence reveals that economic growth is a very blunt, often inadequate, metric by which to measure the success of the economy in improving people's standard of living. In upcoming elections in B.C. and across the country, political parties must increasingly wrestle with this reality, and provide detailed plans to change prospects for younger generations so that hard work once again pays off in ways that better approximate how it used to when today's aging population was young.

Managing Public and Private Debts

In this section, we focus on the subject of debt, because there has been much hope for a "Debt Free B.C." in the world of politics. At Generation Squeeze, we measure debt in three ways: public debt, conceived of as (i environmental and (ii government debt, along with (iii) personal debt.

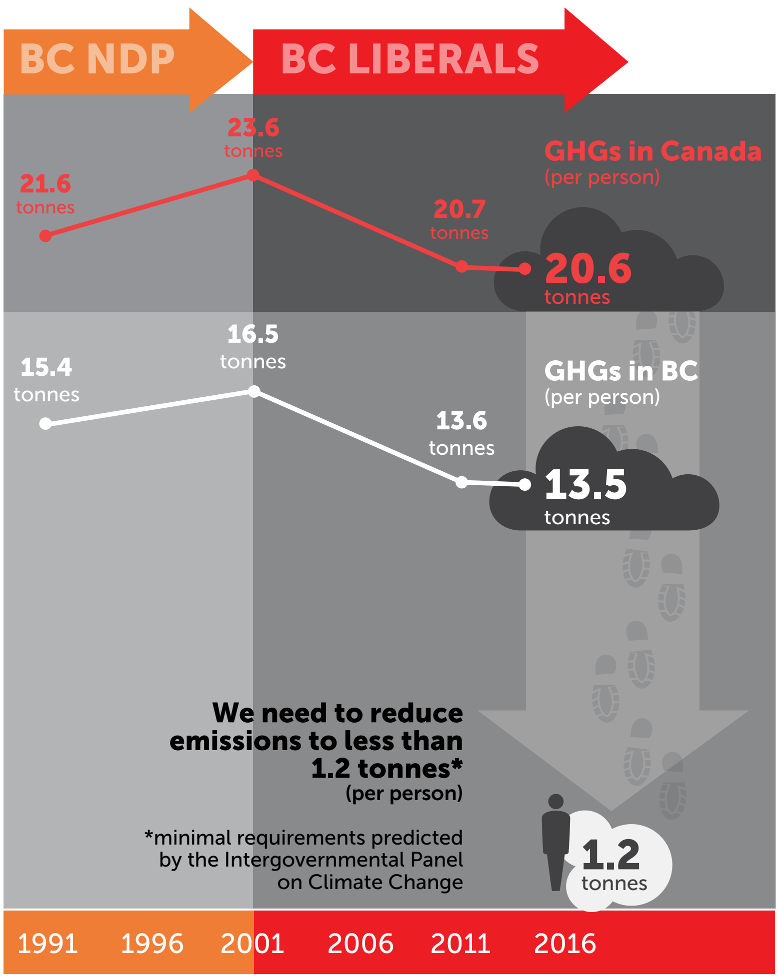
Public Debt: Environment

The Intergovernmental Panel on Climate Change (2001, p. 89 reports that greenhouse gas (GHG) emissions must be reduced well below 1.5 tonnes per person in order to avoid severe damage to the security of the climate for today's younger generations and their offspring. Table 10 shows that the average Canadian produces 21 tonnes of greenhouse gases—more than 13 times the level considered to be sustainable. This means the model of economic growth that is undermining the financial standard of living for younger Canadians is also compromising the climate, air, water and soil conditions on which younger Canadians depend.

Politicians often present Canadians with a choice between putting money in our wallets or protecting the environment. The time for this either/or debate is over, because the Housing Squeeze and GHG data make clear that current economic approaches are working out badly both financially and environmentally. This is true even in Alberta and Saskatchewan, for which the Housing Squeeze Index shows typical young adults need to work an extra three years to save the 20 per cent down payment on an average-priced home by comparison with when today's aging population was young. From the perspective of intergenerational fairness, the data leave no doubt that we must prioritize bold adaptations of policy from coast to coast in order to recalibrate who benefits from the rewards of hard work. Presently, the data reveal that younger Canadians are getting a bad generational deal.

With its wealth of hydro electricity, B.C.'s carbon footprint of 13.5 tonnes of GHG per person is not quite as bad as the national average. Three other provinces have lower per person footprints: the two biggest provinces, Ontario and Quebec, along with the smallest, PEI.

Figure 6. How the Environmental Debt Changes as Governments Change



While there are no available provincial data about greenhouse gas emissions per person before 1990, data show that emissions rose by one tonne per person under the B.C. NDP between 1991 and 2001 (see Table 10).

Emissions have since fallen by three tonnes per person while the B.C. Liberals have been in office. Former B.C. Premier Campbell deserves considerable credit for reversing the trend of increasing greenhouse gas emissions in our province by implementing the first carbon tax in Canada in 2008.

That said, Table 10 also shows that the per capita greenhouse gas reductions achieved in B.C. since 2001 are not as significant as in Ontario, which used to have higher emissions than in B.C. After Premier Clark took office in 2011, there have been no further per person reductions in greenhouse gas emissions in B.C. This leaves a massive environmental debt for younger citizens with emissions in our province still roughly 10 times higher than is sustainable for the coming decades.

Table 10. Greenhouse Gas Emissions (per person)

	GHG/person in 2014 (tonnes of CO_2 equivalent)	Change in Greenhouse Gases (GHG) per person (tonnes of CO_2 equivalent)			
		2014 minus 1990	2014 minus 2011	2014 minus 2001	2001 minus 1991
			Premier Clark	BC Liberals	BC NDP
Canada	20.6	-1.5	-0.1	-3.0	+2.0
Newfoundland	20.1	+3.5	+0.4	+1.3	+4.1
Prince Edward Island	12.3	-2.7	-1.9	-2.6	+0.1
Nova Scotia	17.6	-4.4	-4.7	-5.5	+1.5
New Brunswick	19.7	-2.4	-5.3	-10.9	+9.6
Quebec	10.1	-2.7	-0.5	-1.7	-0.2
Ontario	12.4	-5.3	-0.8	-4.6	-0.5
Manitoba	16.8	-0.1	+1.0	-0.4	+0.6
Saskatchewan	67.3	+22.6	+2.3	+0.4	+22.3
Alberta	66.7	-2.0	+1.8	-8.8	+7.3
British Columbia	13.5	-2.5	0.0	-3.0	+1.1

Source: Author Calculations based on Government of Canada, Environment and Climate Change Canada "Greenhouse Gas Emissions by Province and Territory" open data source: http://donnees.ec.gc.ca/data/substances/monitor/national-and-provincial-territorial-greenhouse-gas-emission-tables/C-Tables-IPCC-Sector-Provinces-Territories/EN-2016NIR-A11-Sector-IPCC-Prov-Terr-1990-2014.xlsx

Public Debt: Government

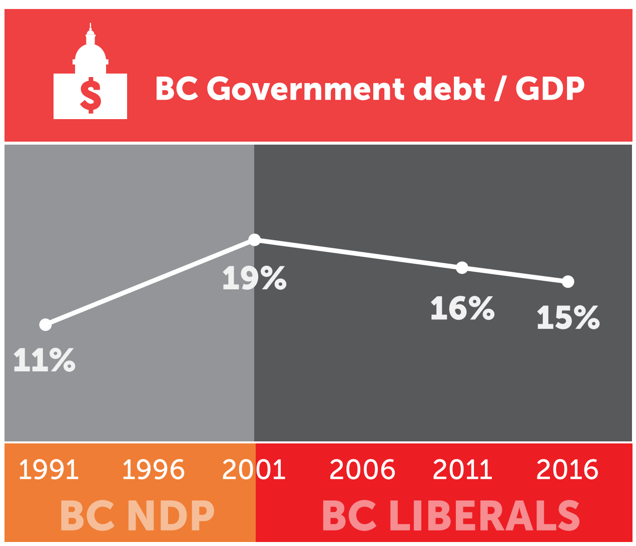
The Government of Canada's Fiscal Reference Tables (https://www.fin.gc.ca/pub/frt-trf/index-eng.asp) provide historical data about provincial government debts for the years 1990 to 2015. They are summarized below in Table 11.

It is interesting to observe that the two provinces which leave by far the largest environmental debts for younger generations, Saskatchewan and Alberta, are also the provinces that report the smallest government debts when measured as a share of the size of their provincial economies. (In fact, Alberta had net assets as of 2015 because of its Heritage Fund, although that has begun to change as a result of the forecasted deficits in its 2016 budget).

Our vision for provincial economies going forward must strive to wrestle with the environmental and government debts simultaneously. Reducing one, by increasing the other, is not a sustainable approach to managing either the economy, or paying for public services like medical care, old age security, child care, education or transit.

By comparison with most provinces, governments in B.C. have historically performed well managing the size of government debt, both measured as a share of our economy and per person. While the NDP were in office between 1991 and 2001, B.C.'s provincial debt was among the two lowest in Canada—only Alberta was lower. Since the B.C. Liberals took office in 2001, our provincial debt has remained among the three lowest provinces—now Saskatchewan has reduced its debt below ours.

Figure 7. B.C. Government Debt/GDP Ratio



That said, over the B.C. NDP government's decade in office the provincial debt did rise as a share of our economy; and the amount of provincial debt grew per person by over $4,000. By contrast, over the B.C. Liberals time in office, the provincial debt has been reduced in proportion to the size of our economy, and the amount per person has increased relatively little—although it is higher than when the NDP were last in office.

Table 11. Provincial Government Debt

	Net Government Debt/GDP ratio (%)				Net Government Debt Per Person (2016 $)			
	2015	2011	2001	1991	2015	2011	2001	1991
Canada	30.3	26.7	25.7	19.0	17,026	14,765	12,415	7,364
Newfoundland	42.0	23.4	61.9	40.4	24,273	16,009	22,499	10,498
Prince Edward Island	35.3	35.2	30.5	11.9	15,115	14,208	10,131	3,205
Nova Scotia	37.5	35.5	45.4	29.7	16,256	15,184	17,125	9,211
New Brunswick	41.3	32.1	31.5	25.9	18,395	14,375	11,853	7,505
Quebec	49.1	48.6	38.9	26.6	23,010	22,462	16,493	9,205
Ontario	40.0	35.7	28.2	17.1	22,473	19,050	14,602	7,351
Manitoba	32.5	25.8	27.7	21.2	16,799	12,587	11,421	7,301
Saskatchewan	9.9	6.1	25.8	30.1	7,087	4,570	11,448	10,142
Alberta	-1.2	-6.3	-3.3	10.6	-943	-5,374	-2,168	4,757
British Columbia	15.9	16.5	18.7	10.6	8,579	8,509	8,266	4,071

Source: Author Calculations based on (i) Government of Canada, Department of Finance Canada "Fiscal Reference Tables" available at: https://www.fin.gc.ca/pub/frt-trf/index-eng.asp; (ii) Statistics Canada CANSIM Table 384-0038 "Gross domestic product, expenditure-based, provincial and territorial, annually (Dollars unless specified);" and (iii) Statistics Canada CANSIM Table 051-0001 "Estimates of population, by age group and sex for July 1, Canada, provinces and territories, annual (persons)."

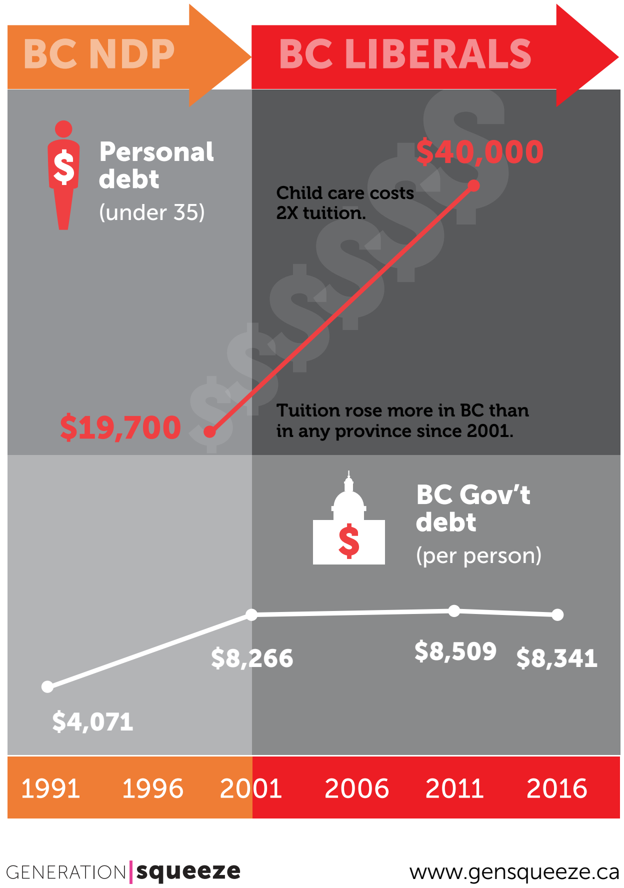
Personal Debt & Wealth

Canada does not collect good data about personal debt and wealth. There are insufficient data to enable comparisons between provinces. For B.C., existing data generally permit analysis of changes in wealth and personal debt only between 1999 and 2012, which coincides primarily with the term in office of the B.C. Liberals. Table 12 summarizes the findings.

While the previous section shows that public government debt levels per person only rose slightly over the B.C. Liberals' time in office, the amount of personal debt for young people rose sharply. The typical household headed by a person under age 35 saw its debt increase by over $20,000, while net wealth barely grew at all. As a result, for every dollar of wealth gained by a young household, they absorbed an additional $20 in debt. The typical person in this age group is not yet in the housing market, so the additional debt is generally incurred from other costs—for example, post secondary debt, rent, child care costs, etc.

The net worth for those age 35–44 increased nearly $180,000—in part because the typical person in this age group got into the housing market. But to gain this additional wealth, these British Columbians had to take on an extra $133,000 in personal debt. By comparison with the same aged person in 1999, for every dollar of net wealth gained by a young person in this age group, they had to take on 74 cents in debt.

Figure 8. Swapping Public for Personal Debt as Governments Change



At the same time, since 1999, B.C.'s economy has been making older age cohorts far more wealthy—*without having to take on much additional debt.* The typical household age 55–64 year old has enjoyed an increase in net worth of nearly $370,000, while the typical household age 65-plus has gained over $200,000. To achieve these substantial wealth gains, typical older British Columbians (not the one per cent!) increased their debt very little. For every dollar gained by someone age 55–64, they added 9 cents in debt. Those over 65 added just 2 cents. Such trade-offs are far better than the 74 cents of debt taken on by those age 35–44; and the over $20 of debt incurred by those under 35 for every dollar of wealth gained. Clearly, the economy in B.C. has been serving the financial interests of older citizens far more generously—and often at the expense of younger citizens taking on debt in the housing market to service the wealth gains of their parents' and grandparents' generations.

Table 12. Change in Median Debt and Wealth ($), by Age: 2012 minus 1999

Age	Total Debt ($)	Net Wealth ($)	Amount of Extra Debt ($) for every Additional $ of Net Wealth
British Columbia			
Under 35	20,300	1,000	20.30
35–44	133,400	179,500	0.74
45–54	-9,500	109,200	-0.09
55–64	33,900	369,900	0.09
65+	3,900	207,100	0.02
Canada			
Under 35	14,900	2,000	7.45
35–44	79,600	57,700	1.38
45–54	37,400	134,200	0.28
55–64	23,100	179,400	0.13
65+	9,500	190,000	0.05

Source: Author Calculations based on Statistics Canada CANSIM Table 205-0002 "Survey of Financial Security (SFS), composition of assets (including Employer Pension Plans valued on a termination basis) and debts held by all family units, by age group, Canada and provinces, occasional (2012 constant dollars)"

Managing major costs beyond housing

An older demographic in B.C. and across Canada is able to accrue more wealth than in the past in part because governments have made public policy decisions to reduce the medical care costs that people pay privately out of pocket, while supplementing income through the Old Age Security system, which includes a Guaranteed Income Supplement. These are key policy decisions that drive how provincial and federal governments combine each year to spend over $33,000 per person age 65-plus on important programs that provide our parents and grandparents with health and financial security in their retirement years—security that we must protect (Kershaw & Anderson, 2016).

By contrast, provincial and federal governments combine to spend less than $12,000 annually per person under age 45 (Kershaw & Anderson, 2016). This includes government spending on health care, grade school, postsecondary, child care, parental leave, employment insurance, housing, workers' compensation and saving for retirement. One result of the uneven age distribution in social spending is that the younger demographic has had to shoulder privately many costs that are increasingly necessary to cope with the deteriorating economy, such as postsecondary tuition and child care. More younger Canadians are getting extra education to improve their job prospects, and devoting more time to the labour market when they have young children at home to compensate for lower earnings and higher home costs.

Tuition Costs

Table 13 reports the cost of undergrad tuition in 2016 and changes over time since 1976. British Columbia continues to have tuition fees that are below the national average. Despite this, as in the rest of Canada, annual tuition costs in B.C. have increased around $4,000 since 1976, after adjusting for inflation. About one third of this increase occurred under B.C. Social Credit governments. Tuition rose another $263 over the decade while the B.C. NDP formed government. Under the B.C. Liberals, annual tuition levels have risen faster in our province than any other (by $2,211), although the tuition increases in Saskatchewan and Ontario have been nearly comparable.

Table 13. University Tuition ($)

	Undergraduate Tuition in 2016	Change in Undergraduate Tuition				
		since 1976	since 2011	since 2001	2001 minus 1991	1991 minus 1976
			Premier Clark	BC Liberals	BC NDP	BC Social Credit
Canada	6,373	+4,041	+674	+1,670	+2,054	+317
Newfoundland	2,759	+691	-82	-1,233	+1,594	+331
Prince Edward Island	6,288	n/a	+648	+1,410	+1,553	n/a
Nova Scotia	7,218	+4,266	+1,081	+834	+2,917	+514
New Brunswick	6,682	+3,692	+538	+1,602	+1,902	+188
Quebec	2,851	+738	+148	+428	+387	-77
Ontario	8,114	+5,625	+805	+2,207	+3,083	+ 334
Manitoba	4,058	+2,143	+156	-206	+1,394	+956
Saskatchewan	7,177	+4,973	+1,027	+2,076	+2,213	+683
Alberta	5,750	+3,604	-324	+451	+2,901	+252
British Columbia	5,534	+3,706	+258	+2,211	+263	+1,232

Source: Author Calculations based on (i) Statistics Canada CANSIM Table 477-0077 "Canadian and International tuition fees by level of study;" and (ii) Statistics Canada Table 8E.1a: "Weighted average tuition fees for full-time Canadian Undergraduate students by province and Canada total, in current dollars." Table provided by Derek.Adams@statcan.gc.ca September 12, 2012.

Child Care Fees

Canada is very weak at collecting data about child care services, in part because we have not yet built a child care system in the way that most other industrialized countries have. Data about child care fees across the provinces are a patchwork, and inter-provincial comparisons are not possible when analyzing trends over decades. In B.C., data exist for 2013, 2001 and 1990, which allow us to examine the trend in fees over the B.C. NDP and B.C. Liberal governments. Table 14 provides a short summary of child care fees for toddlers (around age two years).

The most recent fee data show that annual child care costs in B.C. are over $11,000—twice as much as university tuition. Between 1990 and 2001, the B.C. NDP term in office, average child care fees dropped by around $1,000 a year—from $9,200 to $8,300.

Since the B.C. Liberals took office in 2001, average annual child care fees have risen by over $3,000. That increase, in combination with the $2,200 annual increase in university tuition and rising rents over the same period, helps to explain why personal debt levels are up around $20,000 for citizens under age 35.

Table 14. Annual Child Care Fees in B.C. for a Toddler (2016 $)

2013	2001	1990
11,310	8,319	9,232

Source: Author Calculations based on (i) Friendly, M., et al. (2015); (ii) Friendly, M. and J. Beach (2005); and (iii) "Child care information sheets: The provinces and territories 1990," provided in email by M. Friendly, Childcare Resource and Research Unit, February 9, 2017.

Managing Opportunity for the Next Generations

The previous sections reveal that B.C.'s economy is failing younger adults because hard work now yields lower earnings, and is by accompanied higher home costs, more expensive child care and postsecondary, and a deteriorating environment, by comparison with the past. When our economy squeezes citizens in their prime child bearing and rearing years for time, money, services and environmentally, there are intergenerational consequences. When parents are squeezed by our economy, our province's youngest children are also squeezed, compromising early development opportunities and adding stress to their environments. In keeping with our finding that hard work pays off less in B.C. than elsewhere, it is not surprising that B.C. reports the highest rates of early childhood vulnerability among children starting kindergarten—at 32 per cent in 2016. The Canadian average is 26 per cent (Canadian Institute for Health Information (CIHI), 2014), and evidence shows there is no reason for any province to report rates of early vulnerability above 10 per cent (Kershaw, Anderson, Hertzman, & Warburton, 2009; Kershaw et al., 2010).

32 per cent of children starting kindergarten represents 15,000 B.C. kids. Research shows that early vulnerability matters, because human beings are especially sensitive to our environments well before we get to school when our genes, brains and immune systems adapt in response to our earliest experiences. Vulnerability that shows up in kindergarten means children are more likely to fail, go to jail or wind up sick as adults (Kershaw et al., 2010). Evidence from B.C. suggests that more than 10,000 of these cases of early vulnerability each year could be avoided if governments were to adapt policy in ways that ease the time, money, service and environmental squeeze on the generations raising young children. Over the tenure of provincial governments, this adds up to hundreds of thousands of children whose opportunities are impaired by policy decisions that fail to adapt to the #CodeRed decline in the standard of living for younger British Columbians.

Early vulnerability data in B.C. are available as far back as 2002 from the Human Early Learning Partnership (www.earlylearning.ubc.ca). This permits us to analyze how early vulnerability rates have changed while the B.C. Liberals have been in government, but not previous administrations. Working with these limitations, we see that early childhood vulnerability has increased in B.C. from 30 per cent to 32 per cent since 2002 (or an extra 1,100 vulnerable kindergarten children each year).

B.C. is the worst performing economy in Canada for younger generations

The previous sections leave little doubt that B.C. is home to the worst performing economy for younger Canadians of any province in the country.

- ✖ Full-time earnings have fallen more for young citizens in B.C. than in any other province by comparison with when today's aging population was young.
- ✖ Home prices have increased in B.C. more than any other province.
- ✖ As a result, hard work pays off less for young citizens in B.C. than in any other province.
- ✖ Personal debt is up for young people more than the national average, while their net wealth has increased less than the national average. Increased levels of personal debt outpace achievements by the provincial government to stabilize government debt.
- ✖ The increase in personal debt doesn't just reflect home costs. It also reflects uncontained costs for postsecondary, child care, etc. Postsecondary tuition has increased more in B.C. since 2001 than any other province, and B.C. child care fees for toddlers are now double university tuition.
- ✖ The environmental debt in B.C. remains unsustainable. While not as large as the national average, and considerably smaller than in Alberta or Saskatchewan, per person emissions of Greenhouse gases in B.C. are over 10 times higher than the sustainable limits identified by the Intergovernmental Panel on Climate Change.
- ✖ B.C. is home to the highest rates of early childhood vulnerability in the country, which means a greater portion of our children are at risk to fail, go to jail and wind up sick.

If, and when, decision makers point with pride to B.C.'s relatively high rates of economic growth by comparison with other provinces in the current context, it will be important for all British Columbians to ask the question: What kind of growth are we achieving? Growth that dramatically deteriorates the standard of living for British Columbians in our 20s, 30s and 40s, along with our children, is not good growth.

B.C. Can Do Better

The economy does not need to perform so poorly for younger generations. There are policy adaptations to reduce problems and promote solutions. In the final part of this study, we summarize evidence-based policy principles that would recalibrate the economy to serve the interests of young British Columbians better. The months heading into an election are particularly good times to talk about these solutions, and to insist that all political parties—on the right, centre and left of the political spectrum—prioritize adapting for younger citizens in pursuit of a vision of B.C. and Canada that will work for all generations. Generation Squeeze encourages all political parties to adapt the following 10 principles in their election platforms.

1

Monitor and Report the Age Distribution of Government Spending

Given that the economy is performing particularly poorly for younger generations, it is important for governments to monitor and report how their investment of public funds breaks down by age. This would allow decision-makers and citizens to evaluate the efficiency and fairness of government spending and revenue collection between generations.

Generation Squeeze can help governments with this monitoring. We have developed and published a methodology to perform this task annually (Kershaw & Anderson, 2016). Currently governments combine to spend $33,000-$40,000 per person age 65-plus compared to less than $12,000 per person under age 45. Generation Squeeze asks all political parties to (i) report the age gap in spending in their annual budgets; and (ii) invest further in younger generations. Our research shows that we can achieve many of the goals below by adding $1,000 per citizen under age 45—raising annual spending from $12,000 to $13,000—while protecting spending on our aging parents and grandparents.

2

Prioritize Homes First. Investments Second.

The cost of making a home, either as an owner or renter, drives B.C.'s status as Canada's worst economic performer for younger generations. Setting our economy back on track requires that we focus on the unaffordability problems created by home prices. The principles for housing policy reform presented below have been shaped by consultations with experts throughout the housing ecosystem, including developers, realtors, landlords, non-profit housing organizations, city planners, municipal mayors, academics, renters, home-owners and others. Much of this consultation took place at the "Building Housing Common Ground" event hosted by Generation Squeeze on October 25, 2016, which resulted in the identification of a suite of common ground principles that can be found at: http://bit.ly/CodeRedBHCG. We integrate all these common ground principles in what follows.

The highest-level principle for housing policy reform recommended by Generation Squeeze is "Homes First." It reminds us that Canada's housing market is primarily a mechanism to provide an efficient supply of suitable homes at prices that are in reach for what typical residents earn. It is only secondarily a mechanism to provide returns for investors. Whether they reside here or abroad, people who purchase homes for purposes other than, or in addition to, living in them or renting them out contribute to market forces that are driving home prices beyond reach for a large, and growing, proportion of younger Canadians or other people entering our housing market for the first-time (e.g. newcomers). In response, we should aim to protect, and in some regions restore, the link between what typical people can earn in the local labour market and the cost of making a home as an owner or renter.

A commitment to Homes First implies that we should design policies that channel foreign and domestic investment into more beneficial types of housing supply, including more purpose-built rental, diverse multifamily housing, and innovative tenure and equity models. Private investment should be discouraged from single-detached houses, small condominiums, etc. that often result in increasing the average purchase price, reducing the available stock and/or generating less secure rental supply for locals. Such channelling would turn a current source of the problem into a source for the solution.

The Homes First principle also anticipates that we all have a personal responsibility to adapt to changing housing markets. For some, this will require adjusting our savings and spending patterns, our expectations regarding home size, access to ground/yards and distance from work or school. For others, it may require adapting expectations regarding the evolution of our neighbourhood character, or the personal equity gains derived from the housing market.

The next seven principles flow from a commitment to Homes First.

3

Encourage Density, Diversity and Efficiency to increase the supply of suitable homes

Given that supply constraints contribute importantly to rising home prices, land use should be revisited, especially in communities where home prices have rapidly left wages behind. This principle has several implications, including:

a. We should prioritize increasing housing stock in zones already reserved for residential homes because there are good economic, food security, health and environmental reasons to protect agricultural, greenspace and industrial lands.

b. We should revisit zoning for single detached homes in housing hot spots like Metro Vancouver, the Capital Regional District around Victoria, the Greater Toronto Area, etc. There are entire cities in Canada where single detached homes are beyond the financial reach of the vast majority of adults in their 20s, 30s and 40s trying to enter the housing market. Where this kind of housing is no longer viable for younger generations, it is time to revise the zoning policy that prescribes single detached homes for some neighbourhoods.

This policy change is likely to invoke NIMBY (Not In My Back Yard) reactions from homeowners who want to preserve the single detached home neighbourhoods into which many of them bought over a decade ago. There are two factors that can help to mitigate such reactions. First, many of those homeowners will desire that their children and grandchildren can also live in their community as adults. Unless we increase housing supply dramatically, this option is off the table for large segments of young people in big Canadian cities today, let alone future generations. Second, many people in Metro Vancouver and Metro Toronto who live in neighbourhoods zoned for single-detached homes are already witnessing dramatic changes as modest-sized homes with yards are replaced with very large single detached homes that fill entire properties and accelerate growth in the average cost of housing. Since many neighbourhoods with single detached zoning are already building differently than in the past, it would be far more sustainable to have this rebuilding result in the replacement of single homes with multiple units that fill the yard at manageable costs per unit.

c. Consultations about re-zoning to encourage densification should include, and balance, the interests of current residents with the interests of others who would like to live in those neighbourhoods as new supply becomes available.

d. We should prioritize densification plans which build a diversity of housing types that are suitable for residents from a wide range of economic levels, backgrounds, ages, and specific needs, including the needs of families with children.

e. We should plan and prioritize densification in conjunction with the design of public transit routes and other public spaces. Senior levels of government should require or incentivize such densification as a condition for provincial and federal infrastructure investments.

f. We should acknowledge the vital role that developers can play in increasing the supply of suitable homes, and support their work with efficient and predictable processes regarding development cost charges, community amenity contributions and other forms of taxation that balance the need for companies to earn reasonable profits with the need for all levels of government to levy reasonable fees to contribute to public coffers.

4 Level the Playing Field between Renters and Owners

Given the growing gap between real estate prices and incomes, we should anticipate that renting will become an increasingly common way for Canadians to make homes throughout their lives. Thus, we need to level the playing field—financially and socially—between renters and owners, and make long-term renting more stable and secure. This principle has several implications, including:

a. Policy subsidies for renters should be in proportion to subsidies for homeowners, and public funds should be used increasingly to incentivize the construction of purpose-built rental homes.

b. Policy adjustments may be required to increase security of tenancy (for example, so that renters can have reasonable expectations that their children can remain in the same child care or school setting for years at a time) while balancing the needs for reasonable flexibility on the part of landlords.

c. There is need to challenge attitudes that treat renters as less desirable community members than homeowners.

d. Alternative long-term savings & wealth accumulation strategies will be required for renters. We should defend against risks that renters are less likely than home-owners to build equity on which they can draw in retirement.

5 Innovate with New Tenure and Equity Models to achieve more below-market housing

While we all have personal responsibility to adapt, no one in Canada should be unable to access a minimum standard of shelter. Governments are proposing new investments in below-market housing; and these commitments are important, especially at the federal level, because previous governments reduced Ottawa's role in social housing.

Despite the substantial sounding dollar values, new social housing investments are expected to produce relatively few homes by comparison with the size of the population—often increasing the housing stock by less than 1 per cent. For example, the B.C. government announced $855 million in new spending in 2016 to support housing affordability. While the government estimates this investment will help up to 4,900 families (Government of British Columbia, 2017, p. 56), 4,900 homes represents only one-quarter of one-per-cent of the housing stock in B.C. Clearly, this will not be enough to fix a housing market that is broken for younger citizens who number in the *hundreds of thousands.*

The scale of public investments that are under consideration—despite being larger than Canadians have seen in recent decades—will leave the majority of younger Canadians struggling to access a housing market that has priced this commodity at more than double the value it was when today's aging population was starting out as young adults. Addressing this housing squeeze requires policy adaptations that search for broader population level opportunities to reduce costs for the vast majority of young people so that they are better positioned to deal with the new norm of higher housing prices.

In search of such opportunities, we should scale up practices that move beyond traditional renting and ownership options by promoting access to shared equity models of home-ownership, and innovative use of public lands that separate buying/renting buildings from land that remains held in public trust. In addition, we will need to think about taxing housing wealth differently to slow down the escalation of home prices (see next policy principle).

6

Revise Tax Policy to slow down the escalation of home prices and raise revenue fairly for medical care and other social policy

Given that home prices reflect the interaction of supply and demand, and that the benefits and harms of higher home prices have not been evenly distributed across generations, we should revise tax policy to achieve more fairness. This principle has many implications, including:

a. *Municipal, provincial and/or federal tax policy should discourage demand for housing among foreign and domestic investors when it does not increase the supply of purpose-built rental or below-market housing units.*

- Surtaxes on foreign buyers are one option now being trialed by the B.C. government in the Metro Vancouver region. A version of this tax could be extended to other regions.
- Empty Homes taxes are an option now being experimented with by the municipal government in the City of Vancouver. Other municipalities would be well-served by adopting a similar tax.
- Federal and provincial governments should also consider taxing the capital gains that result from the sale of homes purchased within 24 months. This sort of "speculation tax" could be administered with tax rates that decline over time. For instance, if flipped within six months, the entire capital gain could be subject to tax. The percentage of capital gains subject to taxation thereafter could decline as the time of resale moves closer to 24 months from the date of purchase. The speculation tax should be designed to capture what is called shadow flipping—a practice that involves real estate brokers using an obscure "assignment clause" in sales contracts so that a property changes hands multiple times with increasing prices before formally closing a deal.

  Currently, principal residences receive very favourable tax treatment, because they are not subject to any capital gains taxation. This differs from many countries, including the United States where governments tax the gains on sales of owner-occupied homes above $250,000 per owner. Since administering the collection of such taxes raises measurement difficulties when property value changes are assessed over the medium or long term, we would not recommend a broad-based policy change to tax capital gains from the sale of principal residences. Instead, we propose in 6b a shift toward annual taxation of housing wealth, facilitated by a corresponding partial shift in 6d to reduce income taxes owed.

b. *Municipal, provincial and/or federal tax policy should collect revenue in ways that fairly measure residents' ability to pay for health care and other public services in light of both income and wealth, including housing wealth.*

There is good reason to leave open the possibility that many who have prospered from the rapid increase in Canadian home values should contribute more in taxation than they do currently in recognition that their ability to pay is correspondingly greater. For example, consider two people who earn 45,000 annually. One is a young renter. The other has been in the housing market for decades and now owns outright a home worth over $700,000. For the purpose of measuring their ability to pay for medical care and other social services, provincial and federal income taxes treat these two people identically—but they aren't identical. Now is the time for us to distinguish better between their important differences.

Canada's housing market, especially in hot zones like Metro Vancouver, around Victoria and in the Greater Toronto Area, has transformed regular people who came of age as adults in the 1970s and 80s into the global one per cent—even as retirees! Credit Suisse reports that $760,000 US in wealth (one million Canadian dollars) puts someone in the top one per cent of wealth holders globally (Kersley & Stierli, 2015, p. 11). With housing prices more than doubling in Canada after inflation since 1976, and home values over $1 million becoming common in major Canadian centres, many Canadians who earned incomes in regular jobs now reside in homes that make them the elite from a global perspective. We should update the way we measure people's ability to pay to recognize this new reality.

We could begin by applying housing wealth (aka property) taxes at progressive rates with higher rates applied to higher-valued homes. This approach would require setting a threshold above which surtaxes are proposed. Those who own homes that receive annual valuations which fall below the threshold would be unaffected by the surtaxes. We recommend the median price in a region as the threshold, with progressively higher rates of housing wealth taxation imposed above the median.

By adding progressive taxes on properties priced above the regional median, governments would use taxation to create a modest cooling mechanism at the top end of the housing market. The revenue could be used to invest in social policies that improve housing affordability and/or reduce other major costs that young adults face when starting their homes, careers and families (see principle 9).

The implementation of this reform would require provisions that continue to permit citizens with high-value homes but low-annual-incomes to defer the annual property taxation until the sale of the home.

Our preference for progressive property wealth tax rates also leaves open the option to reduce rates below the median value in a region. By doing the latter, governments would help make housing more affordable for new entrants into the market, and possibly incentivize developers to build housing stock that will be priced accordingly.

Factoring housing wealth into our measurement of people's ability to pay for public programs and services is all the more important given Piketty's (2014) observations about factors driving inequality in the 21st century. In developed countries experiencing markedly lower growth rates than in the decades immediately following World War II, the returns to capital investments generally increase at higher rates than do the returns people earn from work (aka labour investments). Residential property ownership is a particularly common form of capital for which we are witnessing high rates of return just as Piketty describes. With capital expected to generate larger economic returns than labour so long as economic growth remains at rates witnessed in recent decades, wealth increases achieved via home-ownership should be included in our assessment of people's ability to pay for public benefits and services.

It is also timely to measure accurately citizens' ability to pay because of demographic trends. The aging population increases demand for government spending on retirement income security and medical care. Whereas Canadians prepay for much of the Canada Public Pension benefits on which they will draw in retirement, we do not prepay for the medical care we use disproportionately in our later years. Instead, provincial governments pay for medical care each year in response to demand for services. Whereas 31 cents of every medical care dollar went to Canadians age 65-plus in 1976, now nearly 50 cents of every medical care dollar goes to this age group. As the proportion of Canadians age 65-plus grew from 9 per cent of the population in 1976 to 15 per cent today, annual health care spending for retirees increased as a share of our national economy by over $30 billion dollars. Over the same period, governments did not increase general revenue to pay for this additional medical care spending (Kershaw, 2015). The result is less fiscal capacity for governments to invest in policy adaptations for younger Canadians squeezed by lower incomes and higher costs. This pattern raises concerns about intergenerational unfairness.

Factoring housing wealth more prominently in how we measure people's ability to pay for public benefits and services is one way to address these concerns. This approach would recognize that the key driver of wealth for the majority of the aging population now represents an important source of prosperity on which they can draw to pay a fair share of the revenue required to cover their growing demand for health care. In addition to cooling down the escalation of housing prices, this approach to annual housing wealth taxation would enable provincial and federal governments to preserve fiscal capacity with which to adapt policy to ease the time, money, service and environmental squeeze constraining younger Canadians—while continuing to meet the needs of the aging population.

c. *Try to tax net housing wealth, not just gross wealth.* Someone who owns outright a home worth $400,000 has more housing wealth than someone who owns a home worth $400,000 but still owes $325,000 on a mortgage. Government efforts to tax housing wealth would ideally factor this difference into our measurement of ability to pay.

   While taxing the net wealth resulting from the gross estimated value of a home minus any outstanding mortgage is simple in principle, it is complicated in practice. Taxpayers would have inefficient incentives to borrow routinely against their home to evade housing wealth taxation, and invest elsewhere.

One way to approximate taxation of net (not gross) housing wealth would be to recognize that, from a life course perspective, people typically have greater mortgage debt in their young adult years when their earnings potential is lower and they have had less time to pay off housing debt. Accordingly, provincial and/or federal governments could introduce a *portable housing benefit* for Canadians under a specified age threshold—for example, under age 40—to be applied as deductions/credits for a portion of mortgage interest against taxes owed, especially the introduction of any new annual housing wealth taxes. As we discuss below, the same *portable housing benefit* for Canadians under 40 should also permit the credit/deduction of some portion of rent against taxes owed in keeping with our principle to level the playing field between renters and owners.

d. *New housing wealth taxes should be introduced in tandem with reductions to income taxation, etc.* Incomes have been growing more slowly in Canada than we would like, yet we still rely heavily on income taxation. By contrast, housing prices have been rising at alarming rates, and we tax housing wealth relatively little. It is time to re-think the balance we strike when using different tools and approaches for taxation. Let's tax harmful things more, and good things less.

7 Recognize Low Interest Rates Cut Both Ways for younger generations

Smetanin et al. (2016) observe that low interest rates over the last several years have been an important factor fueling housing prices, because "cheap, accessible credit" enables people to purchase more expensive homes, while taking on greater risk due to growing indebtedness. One implication is that the demand for housing which is driving the escalation in prices can be cooled by monetary policy that raises the cost of borrowing.

However, with higher interest rates, home-ownership moves further out of reach for younger Canadians who are not yet in the housing market, and the risks of carrying heavy debt loads are amplified for those who have purchased a first home in recent years. There is already an 8 year deterioration in the standard of living for young people (and a 14 year deterioration in B.C.) when measured in terms of the amount of full-time work required by a young adult to save a 20 per cent down payment. On top of all this extra work to save for the purchase, our analysis shows that young people have to labour an extra month per year to make the annual mortgage payment even at historically low interest rates. B.C. and Toronto require an extra three months of work per year from their young residents to pay the mortgage. This extra annual work required will only increase if/when interest rates rise. As a result, maintaining the low cost of borrowing appears to be fundamentally important for younger people if they are to have a chance to cope with changes in the ratio between housing prices and full-time earnings.

The fact that the cost of borrowing cuts both ways for younger Canadians in terms of their standard of living invites consideration of two related themes.

a. First, the Bank of Canada currently prioritizes low interest rates to stimulate the overall Canadian economy which has remained sluggish since the 2008 recession. Given this macroeconomic priority, are there monetary policy adaptations that could be made to regulate access to credit specifically for the purpose of purchasing homes? Could this be done in ways that increase the cost of borrowing for home purchases, while retaining lower interest rates more generally for other kinds of borrowing so that the Bank of Canada can continue to stimulate the broader economy?

b. Second, if/when the cost of borrowing for mortgages increases, are there policy tools that would allow younger Canadians to access credit at discounted interest rates so they can cope better in today's housing market? There is some precedent for an age approach to lending as it relates to housing. For example, the B.C. government permits seniors to defer their property taxation and pay interests rates below 1 per cent. This is a substantial advantage compared to the nearly 3 per cent interest rates that the province charges families with children when they defer their property taxes.

   The problem in practice, however, will be that money is fungible, and age-based approaches to cost of borrowing for home purchases will result in a range of wasteful activities as people work around the spirit of the age rules to access cheaper interest rates. Given this implementation challenge, there is even greater reason to consider the idea of creating a *portable housing benefit* through tax deductions/credits for mortgage interest or rent costs incurred by those under age 40 to be applied to either income or housing wealth taxation, as proposed above.

   Any policy adaptation designed to increase the disposable income of young Canadians to help them better manage the higher cost of homes has the risk of injecting more money into the market, potentially sending home prices even higher. It will therefore be important to match these principles for policy reform with commitments to increase the supply of homes, because growing the supply will exert a downward pressure on prices (see principle 3), as will revising the taxation of housing wealth (see principle 6).

8 Modernize the Treatment of Age in housing policy

Presently, property taxation is the primary source of revenue for municipal governments, with provinces generally setting guidelines governing how local municipalities can raise revenue from this source. Municipalities typically offer the largest property tax breaks for Canadians age 65-plus, regardless of the wealth they have accumulated in their homes or from their incomes. This tradition reflects the historical reality that, a generation ago, seniors suffered the highest rates of low-income status in the country. Now seniors enjoy the lowest rates of low-income, and have often accumulated considerable wealth in their homes (Kershaw, 2015). It is therefore time to shift property taxation away from blunt assumptions that retirees are particularly vulnerable when it comes to coping with housing costs. This recommendation is echoed in a recent publication by the Institute for Research on Public Policy (Kitchen, 2015).

The implementation of this reform would require provisions that continue to permit citizens with high value homes but low annual incomes to defer the annual property taxation until the sale of the home. But so long as the housing market continues to drive up the wealth of home-owners age 55+ while squeezing out younger Canadians and/or making them far more indebted, it should no longer be presumed that retirees merit the most advantageous interest rates for deferred property taxation.

In the spirit of this principle, the B.C. Liberal government deserves credit for proposing housing support specifically for younger citizens with its plan to help first-time home-buyers cover the cost of a mortgage down payment by providing a loan of up to $37,500 that will be interest free and payment free for the first five years. Dubbed the "B.C. Home Owner Mortgage and Equity Partnership program," the intention of the policy is to assist prospective first-time buyers who can afford the mortgage payments on a new home but are challenged to make the down payment. According to provincial government numbers, the program will spend around $234 million annually over three years to help an estimated 42,000 buyers.

Adapting policy to compensate younger Canadians for the harm inflicted on their standard of living by the housing market is an appropriate government priority, especially when the high home prices that harm young adults often make other older members of their families wealthier. Generation Squeeze therefore gives Premier Clark and her government an A+ for good intentions. But they don't get a passing grade for execution.

Any adequate, and sustainable, policy adaptation to the #CodeRed crisis facing younger Canada in the housing market must prioritize measures that are less likely to encourage home prices to leave earnings further behind. The proposed government loans do the exact opposite, because they fuel market forces that pump up the sales price and will likely result in predominantly young people paying more for a home that may have cost less in the absence of the government's loan program. The result is first-time home-buyers will incur more debt, while those already in the market (often our parents, grandparents or developers) will get wealthier because they can sell their home for even more.

If policy makers want an A+ on helping first-time homebuyers, they need to focus on policy that helps rein in escalations to already sky-high housing costs, in keeping with the principles discussed above.

A more appropriate way to modernize our treatment of age in housing policy would be to introduce an age-specific *portable housing benefit* that reduces taxes for younger Canadian adults (say under age 40) by permitting them to deduct or credit some of their rent or mortgage interest against their taxes owed. This would help them save better for a home and/or stretch their earnings to cover higher home costs. All young residents would benefit from this policy proposal, including those who have already bought homes in addition to those who may never own, rather than the much narrower group of people who may participate in the new B.C. loan program.

9 Go Beyond Housing Policy to ensure child care, parental leave, transit, etc. no longer add up to mortgage-sized payments

We should balance the interests of parents and grandparents who wish to protect the equity they have gained from higher home prices with the interests of their kids and grandchildren to make homes in real estate markets that are growing out of reach. This principle has several implications, including:

a. *Don't let child care, parental leave, postsecondary transit, etc. add second, third & fourth mortgage-sized payments.* We should make policy investments to reduce dramatically the costs of child care, parental leave, transit, and student debt so that younger Canadians can better cope with the higher home prices that support financial security for the aging population.

b. Given child care fees cost double university tuition, this is a particularly important cost to bring down through public investment. Since 2011, Generation Squeeze has recommended that child care be priced at $10/day ($2,500/year), with no fees for families earning less than $40,000. For more information see "Does Canada Work for All Generations?" (Kershaw & Anderson, 2011), and also visit Gen Squeeze allies at the $10aday campaign (see http://www.10aday.ca/). It is worth noting that the B.C. NDP has endorsed $10/day child care in the lead up to the 2017 election, but so far has not provided any firm financial commitment by which to make their rhetoric a reality.

10 Implement the "Acting on Climate Change" Recommendations

Generation Squeeze endorses recommendations from the position paper "Acting on Climate Change" developed by more than 60 Canadian researchers representing every province (The Sustainable Canada Dialogues, 2015). These recommendations propose actions that could be adopted immediately to kick-start Canada's necessary transition toward a high-prosperity, low-carbon economy. Recommendations include:

- Price pollution more. In keeping with the principle to tax more what we don't want (like home prices that have left earnings behind), while taxing less what we do want (higher earnings for middle and lower income earners), B.C. should accelerate its carbon tax to price pollution more aggressively, and reduce other kinds of taxes.
- Build East-West intelligent grid connections that allow hydroelectricity-producing provinces like B.C. to sell electricity to their neighbors while taking full advantage of Canada's low carbon energy potential from intermittent renewables such as wind and solar energy. Such grid connections would enable Canada to rely 100 per cent on low-carbon electricity production by 2035.
- Well-managed energy efficiency programs that produce cost savings and job creation. Energy efficiency programs could target transportation, and the building sector, along with other businesses and industries.

- Support the building sector to evolve toward a carbon neutral or carbon-positive sector, including investment in renewable and ambient energy for new and existing buildings. Integrate sustainability and climate change into landscape planning at the regional and city levels to ensure that investments to build new, or maintain existing, infrastructure are consistent with the long-term goal of reducing carbon emissions.
- Support sustainable practices in fisheries, forestry and agriculture in order to limit greenhouse gas emissions and, where possible, to increase carbon sequestration, protect biological diversity, and improve water quality.

The ten principles we describe above are motivated by a vision of B.C. and Canada that works for all generations. Generation Squeeze invites those motivated by such a vision to join us in endorsing and promoting these policy principles.

With respect to the upcoming 2017 B.C. election, after the release of this report we will prepare a short briefing for candidates and parties summarizing the policy commitments that we recommend for all party platforms.

As we approach voting day, we will refer to that summary in order to interpret and asses the party platforms for the Generation Squeeze network.

Suit Up, Spread Out and Squeeze Back with us (www.gensqueeze.ca), because we know that politics responds to those who organize and show up.

References

Canadian Institute for Health Information (CIHI). (2014). *Children Vulnerable in Areas of Early Development: A Determinant of Child Health*. Retrieved from Ottawa, ON: https://secure.cihi.ca/free_products/Children_Vulnerable_in_Areas_of_Early_Development_EN.pdf

Canadian Real Estate Association. (n.d.). *Custom table "Average home prices 1976–2016, Canada, provinces and select cities" provided January 2017.*

CityLab. (2012). How Long Will You Need to Save to Buy a Home In Your City? Retrieved from http://www.citylab.com/housing/2012/08/how-long-will-you-need-save-buy-home-your-city/3085/

Friendly, M., & Beach, J. (2005). *Early Childhood Education and Care in Canada 2004*. Toronto: Child Care Resource and Research Unit, University of Toronto.

Friendly, M., Grady, B., Macdonald, L., & Forer, B. (2015). *Early Childhood Education in Canada 2014*. Toronto: Child Care Resource and Research Unit, University of Toronto. Retrieved from http://childcarecanada.org/sites/default/files/ECEC-2014-full-document-revised-10-03-16.pdf

Government of British Columbia. (2017). *Budget and Fiscal Plan 2017/18 - 2019/20*. Retrieved from Victoria, B.C.: http://bcbudget.gov.bc.ca/2017/bfp/2017_Budget_and_Fiscal_Plan.pdf

Government of British Columbia. (n.d.). *BC GDP by Industry - NAICS Aggregations, 1997–2015. B.C. Gross Domestic Product at Basic Prices.* Retrieved from: http://www.bcstats.gov.bc.ca/StatisticsBySubject/Economy/EconomicAccounts.aspx

Government of Canada. (n.d.). *Greenhouse Gas Emissions by Province and Territory open data source.* Retrieved February 1, 2017 from Environment and Climate Change Canada: http://donnees.ec.gc.ca/data/substances/monitor/national-and-provincial-territorial-greenhouse-gas-emission-tables/C-Tables-IPCC-Sector-Provinces-Territories/EN-2016NIR-A11-Sector-IPCC-Prov-Terr-1990-2014.xlsx

Government of Canada. (n.d.). *Fiscal Reference Tables.* Retrieved February 1, 2017 from Department of Finance Canada: https://www.fin.gc.ca/pub/frt-trf/index-eng.asp

Intergovernmental Panel on Climate Change Working Group III. (2001). *Climate Change 2001: Mitigation.* Retrieved February 1, 2017 from http://www.ipcc.ch/ipccreports/tar/wg3/index.php?idp=0

Kershaw, P. (2015). Population Aging, Generational Equity and the Middle Class, 1–21. Retrieved February 1, 2017 from Generation Squeeze: http://bit.ly/GSMiddleClass

Kershaw, P., & Anderson, L. (2011). Does Canada Work for All Generations: British Columbia Family Policy Report. Retrieved February 1, 2017 from the Human Early Learning Partnership: http://earlylearning.ubc.ca/family-policy/resources-and-reports/

Kershaw, P., & Anderson, L. (2016). Measuring the Age Distribution in Canadian Social Spending. *Candian Public Administration*, 59(4), 556–579.

Kershaw, P., Anderson, L., Hertzman, C., & Warburton, B. (2009). *15 by 15: A Comprehensive Policy Framework for Early Human Capital Investment in BC.* Retrieved February 1, 2017 from the Human Early Learning Partnership: http://www.earlylearning.ubc.ca/documents/2009/15by15-Full-Report.pdf

Kershaw, P., & Minh, A. (2016). Code Red: Rethinking Canadian Housing Policy. Retrieved February 1, 2017 from Generation Squeeze: http://bit.ly/GSCodeRed

Kershaw, P., Warburton, B., Anderson, L., Hertzman, C., Irwin, L. G., & Forer, B. (2010). The Economic Costs of Early Vulnerability in Canada. *Canadian Journal of Public Health-Revue Canadienne De Sante Publique, 101*(Supplement 3), S8–S12.

Kersley, R., & Stierli, M. (2015). Global Wealth Report. Retrieved February 1, 2017 from Credit Suisse: https://publications.credit-suisse.com/tasks/render/file/?fileID=F2425415-DCA7-80B8-EAD989AF9341D47E

Kitchen, H. (2015). No Seniors' Specials: Financing Municipal Services in Aging Communities. Retrieved February 1, 2017 from the Institute for Research on Public Policy: http://irpp.org/wp-content/uploads/2015/02/study-no51.pdf

Piketty, T. (2014). *Capital in the Twenty-First Century.* Cambridge, Massachusetts: The Belknap Press of Harvard University Press.

Rea, W., Yuen, J., Engeland, J., & Figueroa, R. (2008). The dynamics of housing affordability. *Perspectives* (January), 15–26.

Smetanin, P., Moca, I., Yusuf, F., & Kobak, P. (2016). Understanding Shelter Affordability Issues: Towards a better policy framework in Ontario. Retrieved February 1, 2017 from the Canadian Centre for Economic Analysis: http://www.cancea.ca/?q=node/96

Statistics Canada. (n.d.). *CANSIM Table 384-0038 "Gross domestic product, expenditure-based, provincial and territorial, annually (Dollars unless specified)".* Retrieved February 1, 2017 from Statistics Canada

Statistics Canada. (n.d.). CANSIM Table 282-0002 "*Labour force survey estimates (LFS), by sex and detailed age group, annually (Persons unless specified).*" Retrieved February 1, 2017 from Statistics Canada.

Statistics Canada. (n.d.). *Custom table C796331 "Income of individuals, by sex, age group and income source, 2014 constant dollars, Canada, provinces, Full-Time, Full-Year Earners only.".*

Statistics Canada. (n.d.). *CANSIM Table 176-0043 "Financial Market Statistics".* Retrieved February 1, 2017 from Statistics Canada.

Statistics Canada. (n.d.). *CANSIM Table 027-0040 "Canada Mortgage and Housing Corporation, average rents for areas with a population of 10,000 and over".* Retrieved February 1, 2017 from Statistics Canada.

Statistics Canada. (n.d.). *CANSIM Table 051-0001 "Estimates of population, by age group and sex for July 1, Canada, provinces and territories, annual (persons)"* Retrieved February 1, 2017 from Statistics Canada.

Statistics Canada. (n.d.). *CANSIM Table 205-0002 "Survey of Financial Security (SFS), composition of assets (including Employer Pension Plans valued on a termination basis) and debts held by all family units, by age group, Canada and provinces, occasional (2012 constant collars)".* Retrieved February 1, 2017 from Statistics Canada.

Statistics Canada. (n.d.). *CANSIM Table 477-0077 "Canadian and International tuition fees by level of study".* Retrieved February 1, 2017 from Statistics Canada.

The Sustainable Canada Dialogues. (2015). *Acting on Climate Change: Solutions from Canadian Scholars.* Retrieved February 1, 2017 from Montreal, PQ: http://www.sustainablecanadadialogues.ca/files/PDF_DOCS/SDC_EN_30marchlr.pdf