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- Fathers' use of paid parental leave
- Changes in family wealth



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0 <sup>§</sup>	not statistically significant
P	preliminary
r	revised
x	confidential
E	use with caution
F	too unreliable to be published

# Highlights

*In this issue*

## ■ Fathers' use of paid parental leave

- In 2001, the federal Parental Benefits Program increased shareable parental leave benefits from 10 to 35 weeks. In 2006, Quebec introduced its own Parental Insurance Program, including a five-week non-transferable leave for fathers. As a result, the proportion of fathers claiming paid parental leave increased significantly—from 3% in 2000 to 10% in 2001, and again from 15% in 2005 to 20% in 2006.
- In 2006, 56% of eligible fathers in Quebec claimed benefits for an average of 7 weeks compared with 11% of fathers outside Quebec who did so for 17 weeks.
- Fathers were significantly more likely to claim benefits if they lived in Quebec and if they had a co-claiming spouse who earned the same or more than they did. More than half of fathers outside Quebec who claimed parental leave benefits were the sole person in the household to do so.
- The most common reason for eligible fathers not claiming benefits was family choice (40%), followed by difficulty taking time off work (22%) and financial issues (17%).
- Internationally, 13 of 20 OECD countries have national paid parental leave programs with at least two weeks available to the father. Of these, 9 use legislation to encourage fathers' participation.

## ■ Changes in family wealth

- The overall debt-to-income ratio for Canadian families climbed from 1.02 in 1999 to 1.21 in 2005 as the average debt jumped by one-third from \$62,700 to \$82,500, but income increased by only one-tenth from \$61,600 to \$68,100.
- In both years, the proportion of families carrying debt peaked at over 80% when the family's major income recipient was in their 30s and fell below 20% when major income recipient was 75 or over.
- Despite a heavier debt load in 2005, families were wealthier on average than in 1999 as net assets rose from \$281,000 to \$380,700. The increase was almost evenly divided between non-financial and financial holdings.
- Overall, neither the distribution nor the inequality of wealth changed between 1999 and 2005 even though more families were worth at least one million dollars and fewer were wholly dependent on government transfers.

### Perspectives

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# Fathers' use of paid parental leave

*Katherine Marshall*

Although the objectives of international paid leave programs are not identical, one universal goal is to help families balance or reconcile work and family responsibilities—which in turn is intended to increase the well-being of children. To this end, emphasis has been put on extending leave time for parents and encouraging the father's involvement. Research has shown that a father's involvement has a positive effect on co-parenting and partner relationships, personal development, and the social, emotional, physical and cognitive development of children (Allen and Daly 2007). Even short-term paid leave for fathers has been linked to positive outcomes, which can set the stage for longer-term involvement (Moss and O'Brien 2006).

As is the case in many other Organisation for Economic Co-operation and Development (OECD) countries, Canada's paid parental leave policies have changed considerably in recent years. Two key changes to the federal Parental Benefits Program (PBP) in 2001 were the increase in the number of shareable paid benefit weeks per family from 10 to 35 and the elimination of a second two-week unpaid waiting period. In 2006, Quebec began administering its own separate Parental Insurance Plan (QPIP) offering, for example, higher benefit rates, no unpaid waiting period and a five-week non-transferable paternity leave.

This article uses the 2006 Employment Insurance Coverage Survey (EICS) to examine fathers' use of paid parental leave in Quebec and the other provinces. Recent revisions to the questionnaire enable the assessment of how parental leave is shared by spouses, as well as the number of weeks of paid leave the father uses and reasons for not claiming parental leave benefits (see *Data source and definitions*).

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## Data source and definitions

The Employment Insurance Coverage Survey (EICS) has been an annual supplement to the Labour Force Survey since 1997. Its main purpose is to study the coverage of the Employment Insurance program. To coincide with the expansion of the parental leave program on December 31, 2000, several new questions were added to collect information from new mothers on access to and use of parental leave. More parental leave content was added in 2004 and 2005. For example, a question regarding the number of weeks the spouse (father) intends to take was introduced only in 2005. In 2006, some questions were modified because of the change in jurisdiction of parental benefits in Quebec.

All questions regarding a father's use of parental leave benefits are answered by the mother. In some cases, the father may not yet have taken leave but planned to do so. At the time of the survey it is not possible to distinguish between fathers who had already taken leave or were currently on leave, or whose leave was upcoming. For ease of description, all cases are labelled as fathers who claimed and received benefits.

The **target population** for this study was all mothers living with a spouse and children less than 13 months of age in 2006. The sample of roughly 1,130 mothers represented 325,000 couples.

**Parental benefits** are available to previously employed qualifying parents (see *Details of the PBP and the QPIP*). For the purpose of this study, parental and paternity leave benefits are used interchangeably when referring to Quebec. The EICS did not differentiate between the types of QPIP paid benefits fathers claimed.

An **eligible father** is someone who claimed parental leave benefits or someone who did not claim for any reason other than ineligibility. Mothers were asked to report why their spouse did not claim benefits, including the category 'not eligible.'

**Monthly income before birth** was determined from a direct question asking mothers to report their total household income from all sources in the month before the birth or adoption.

**Earnings ratio** is the mother's average hourly earnings multiplied by her average hours worked divided by the father's earnings and hours worked. If the ratio was 1 or greater, the mother was deemed to earn the same as or more than the father. If either spouse was self-employed, the ratio could not be calculated.

### Many European programs actively encourage paternal participation

Fathers' participation in parental leave programs and the time taken have become a prominent area of public policy debate and development in many OECD countries (Moss and O'Brien 2006). Some countries have used legislation as a method to help raise the parental leave take-up rate among fathers. This has been done mainly by creating individual, non-transferable periods of leave for each parent as well as additional time that can be used by either parent (see *International comparisons*). Countries with this form of program include Belgium, Iceland, Luxembourg, Norway and Sweden. In other countries, the entire parental leave period can be used by either or both parents, but additional or bonus weeks of paid leave are offered if the father claims some of the leave (e.g. Austria, Finland, Germany and Italy).

Not surprisingly, countries with the highest paternal participation rates include those with non-transferable leave programs that also offer high-wage replacement rates, mainly Nordic countries—Sweden (90% participation rate), Norway (89%) and Iceland (84%). Parental leave take-up rates are lower for fathers and mothers in countries where the earnings replacement rate is low, regardless of the type of leave program—Belgium has a paternal participation rate of under 7%, Austria, 2% and France, 1%. In other words, since most countries do not replace all earnings for parents on leave, and since men, on average, earn more than women, families may be dissuaded from having the father claim parental leave because of the greater financial burden (Moss and O'Brien 2006). However, at the same time, the economic stability of the family is recognized as another key factor in the well-being of children.

### Canadian programs have also evolved

Since 1971, mothers with enough insurable weeks of employment have been able to claim up to 15 weeks of paid maternity leave—considered special benefits under the current Employment Insurance Program (EI). In 1990, the Parental Benefits Program (PBP) introduced 10 weeks of paid leave available for sharing by qualifying parents for the care of their newborn. Further amendments to the EI Act (December 31, 2000) effective in 2001 extended PBP benefits to 35 weeks, eliminated the second two-week waiting period if both parents wanted to use some of the leave, reduced the required number of annual employment hours from 700 to 600 and allowed earnings up to 25% of benefits per week without reduction.<sup>1</sup> The PBP is deemed a core component of the National Children's Agenda and, as in other countries, is designed to “promote child development” and help parents “balance the demands of work and very young children” (HRSDC, 2005). An evaluation of these changes found positive outcomes related to the aforementioned objectives, including the length of leave taken, the length of breastfeeding, and the quality of parent and child interactions (HRSDC 2005).

Another social objective<sup>2</sup> of the enhanced PBP is to “promote gender equality” by advancing the uptake rate of fathers and the sharing of benefits between spouses (HRSDC 2005). It is generally expected that an increase in fathers' use of paid parental leave will help break down gender stereotypes, in turn helping to achieve gender equity. For example, assumptions that only mothers use parental leave “can fuel employment discrimination against the recruitment and promotion of women” while at the same time making it difficult for fathers to take leave because it “conflicts with workplace cultures and expectations about the

#### International comparisons

Consistent data on international practices regarding paid paternity and parental leave are difficult to find. Collection methods, program rules and regulations, and presentation of the results vary considerably. However, despite the challenges, interest in the subject is mounting and concerted efforts have recently been made to make international comparisons. For example, the International Network on Leave Policy and Research, established in 2004, produces an annual report on maternity, paternity and parental leave policies in over 20 countries. Recent international research from several sources is presented below. Thirteen of the

20 OECD countries under consideration offer paid paternity or parental leave of at least two weeks to fathers. Seven countries do not have such leave, including Australia, the United Kingdom and the United States. Belgium, Iceland, Luxembourg, Norway and Sweden offer non-transferable leave to both mothers and fathers. Denmark used to have non-transferable parental leave for fathers until 2002, when legislation changed the two-week period back to 'family' benefits. In Canada, Quebec offers an exceptionally long non-transferable paternity leave of 5 weeks.

## Fathers' use of paid parental leave

### International comparisons (concluded)

#### Selected OECD countries with more than two weeks of statutory paid paternity or parental leave available to fathers

	Paid paternity	Paid parental leave			Special incentives for fathers
		Allocation <sup>1</sup>	Earnings replacement	Take-up <sup>2</sup>	
Austria 2006	None	18 months, family	Flat rate (low benefits)	2%	6 extra months
Belgium 2006	10 days	24 weeks: 12, mother; 12, father	Flat rate (low benefits)	<7%	
Canada 2006					
Quebec	5 weeks	32 weeks, family	55-75%	48%	
Rest of Canada	None	35 weeks, family	55%	10%	
Denmark 2006	2 weeks	32 weeks, family	Unemployment benefit rate	62%	
Finland 2005	3 weeks	26 weeks, family	43-82%	10%	2 extra weeks
France 2006	11 days	36 months, family	Flat rate (half minimum wage)	1%	
Germany 2007	None	12 months, family	67%	9%	2 extra months
Iceland 2005	None	9 months: 3, mother; 3, father; 3, family	80%	84%	
Italy 2006	None	10 months, family	30%	7%	1 extra month
Luxembourg 2006	2 days	12 months: 6, mother; 6, father	Flat rate (minimum wage)	17%	
Norway 2006	None	54 weeks: 9, mother; 6, father; 39, family	80-100%	89%	
Portugal 2006	5 days	15 days, father	100%	30%	
Sweden 2006	2 weeks	68 weeks: 8, mother; 8, father; 52, family	80%	90%	

1. Family leave can be shared between parents; leave by sex is non-transferable (if a parent does not use the leave, it is forfeited).

2. Although this is meant to refer to fathers' participation rate in parental leave, as in the case of Quebec, it is not always clear if a distinction has been made between paternity and parental leave.

Sources: Anxo et al. (2007); Moss and Wall (2007); European Commission (2006); Moss and O'Brien (2006); Plantenga and Remery (2005); websites [www.stakes.fi](http://www.stakes.fi) and [www.dw-world.de](http://www.dw-world.de).

appropriate behaviour for men” (Anxo et al. 2007). The PBP change to eliminate the second two-week waiting period for co-claiming parents was intended to give parents more choice and to encourage the sharing of work and family responsibilities. It also allowed for a “significant reduction in the cost to a father hoping to take just a few weeks of benefits” (Phipps 2006). Indeed, research has shown an increase in benefit-sharing since the most recent PBP revision (HRSDC 2005; Marshall 2003).

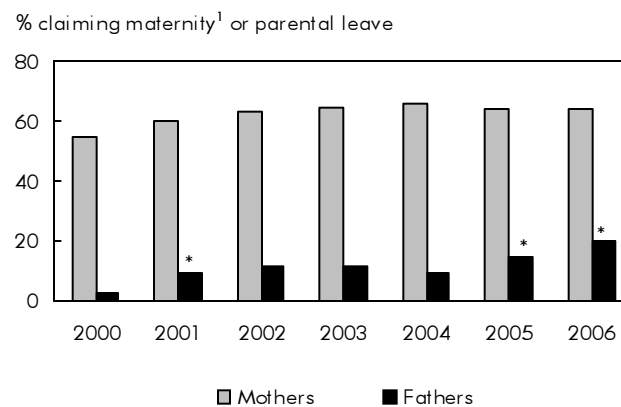
In March 2005, Quebec reached an agreement with the federal government to run its own, substantially different, parental leave program. One main variation in the basic Quebec Parental Insurance Plan (QPIP) is the inclusion of a five-week individual, non-transferable paternity leave paid at 70% of previous earnings. Other major differences in the QPIP, which came into effect in January 2006, include coverage for the self-employed, higher rates of pay for maternity leave and parental leave and no minimum number of hours worked in order to qualify for leave (see *Details of the PBP and the QPIP*).

### One in five fathers claims benefits

The proportion of fathers taking time off and receiving paid parental leave benefits has increased sharply, from 3% in 2000 to 20% in 2006 (Chart A). The 2006 rate actually jumps to almost one in four (23%) if ineligible fathers (those without enough paid work hours or the self-employed outside Quebec) are excluded from the calculation.<sup>3</sup> However, whether paid or not, the majority of fathers take some time off when children are born. Recent research found that 55% of fathers were absent from their job around the time of their child's birth, with many using short-duration annual vacation leave (21%) or unpaid leave (11%) (Beaupré and Cloutier 2007).

The change over time in fathers' uptake of parental benefits is noticeably tied to the rules of the program. Perhaps because of the relatively short duration of leave available prior to 2001 (10 weeks), and the rule requiring both qualifying parents to undergo an unpaid two-week waiting period, very few fathers participated—only 3% in 2000. However, after paid benefits were extended to 35 weeks and the two-week waiting period was applied to only one parent, the proportion of fathers filing for parental leave benefits jumped to 10% in 2001. Apart from rule changes, rising take-up rates by fathers may also be influenced by a cultural shift that embraces fatherhood and men's

**Chart A One in five fathers now file for parental leave benefits**



\* significant difference from the previous year at the 0.05 level

1. Available only to mothers.

Source: Statistics Canada, Employment Insurance Coverage Survey.

involvement with their children (Daly 2004). In-depth qualitative analyses have shown that views of traditional mothering and fathering roles are changing in Canada (Doucet 2006). Further examples of this shift include the significant increase in fathers' participation in and time spent on primary child care, and the jump in the proportion of fathers as the stay-at-home parent in single-earner families (Marshall 2006). Yet another indicator of fathers' evolving role in caregiving is the increase in the average number of days they miss from work for personal or family responsibilities when preschool children are in the household—for example, up from 1.8 days in 1997 to 6.3 days in 2007 (Statistics Canada 2008). The corresponding numbers for women were 4.1 and 4.8.

The significant rise in the rates of fathers claiming parental leave in 2005 (15%) and 2006 (20%) is mainly attributable to the introduction of the QPIP and the subsequent increase in the participation of Quebec fathers. On the other hand, the take-up rate for mothers has remained steady in recent years at just over 60%.

### More Quebec fathers claim—but for shorter periods

Without doubt the QPIP had a profound influence on fathers' use of paid leave in Quebec. Of those eligible for the program, 56% claimed benefits in 2006, up from 32% in 2005 (Table 1). The participation rate



**Table 1 Eligible fathers claiming paternity or parental leave and weeks taken**

	Total	Quebec	Elsewhere
		'000	
<b>Couples with eligible fathers</b>			
2004	244	57	188
2005	263	67	196
2006	271	73	198
<b>Fathers' claim rate</b>		%	
2004	12	22* <sup>E</sup>	9
2005	18(*)	32*	13
2006	23	56* <sup>(*)</sup>	11
Mother receiving maternity or parental leave			
Yes <sup>1</sup>	25	64*	8 <sup>E</sup>
No	19	F	18 <sup>E</sup>
<b>Average weeks off<sup>2</sup></b>		weeks	
2005	12	13 <sup>E</sup>	11
2006	11	7* <sup>(*)</sup>	17*
Mother receiving maternity or parental leave			
Yes	7	6*	13 <sup>E</sup>
No	22	F	22

\* significant difference between Quebec and the other provinces at the 0.05 level

(\*) significant difference from previous year at the 0.05 level

1. In 2006, mothers in Quebec were more likely to receive maternity or parental benefits (77%) than those living elsewhere (62%).

2. Of those who claimed. Fathers' time off was not asked in 2004. Source: Statistics Canada, Employment Insurance Coverage Survey, 2004 to 2006.

for fathers outside Quebec remained steady over the three years examined, at around one in ten.<sup>4</sup> However, even though the parental leave benefit program was the same across Canada prior to 2006, Quebec had a consistently higher proportion of fathers claiming benefits, perhaps representing some cultural differences.

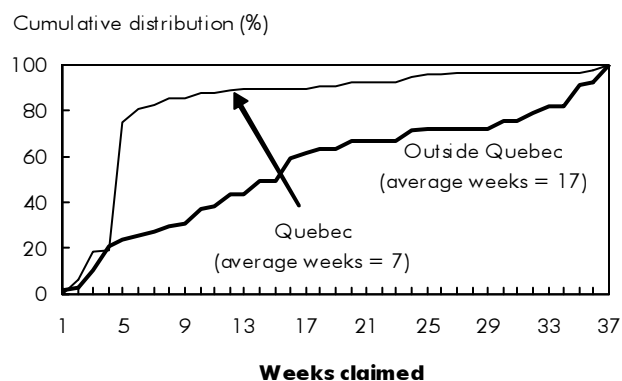
Furthermore, an above-average proportion of Quebec fathers claimed paid benefits if their partner was also a recipient (64% versus 56%), whereas fathers outside Quebec were less likely to claim if their partner claimed (8% versus the overall average of 11%). Although sample size restricted a detailed analysis, the different patterns are likely linked to the reasons the mothers were not in receipt of benefits. Perhaps as a result of the varying eligibility rules of the PBP and QPIP programs, women in Quebec are more likely to receive benefits than women in other provinces (77% versus 62%). For example, self-employed workers are covered in Quebec and no minimum weeks of work are required for eligibility (see *Details of the PBP and the QPIP*). In non-claiming Quebec couples in 2006, both

partners may have been unaware of the new paternity leave. For example, of those who stated "Did not know he could claim benefits" as the main reason for not filing (representing 8% of all couples where the father did not claim), the vast majority (86%) were in couples where the mother did not receive benefits.

For the mothers not in receipt of benefits in the rest of Canada (38%), many would have been employed but not eligible because of too few hours worked or being self-employed, and research shows that women in these situations take less time off from work than those employed and with benefits (Marshall 2003). Therefore, the fathers in these couples may be more inclined to participate in the PBP program so that at least one of the partners uses some of the available benefits. For example, one in five fathers outside Quebec (18%) filed for parental leave benefits when their spouse did not claim, for an average duration of 22 weeks.

In terms of time taken, the average benefit weeks fathers claimed in Quebec was 13 in 2005 and 7 in 2006. Although the survey did not differentiate between paternity and parental leave benefits, it seems that in 2006 most men in Quebec used all the non-transferable paternity benefits (maximum of 5 weeks available), but only a minority opted to use some of the 32 additional weeks available to either parent. Of the eligible fathers in Quebec who claimed, three-quarters received benefits for five weeks or less (Chart B).

**Chart B Three-quarters of Quebec fathers claimed benefits for five weeks or less**



Source: Statistics Canada, Employment Insurance Coverage Survey, 2006.

**Details of the PBP and the QPIP**

As of January 1, 2006, the Quebec Parental Insurance Plan (QPIP) replaced the federal Employment Insurance Parental Benefits Program (PBP) for the administration of paid benefits associated with birth or adoption for parents in that province. Below is a summary of the benefits

and rules for the two programs in 2006. (More detailed information on the two programs can be found on the respective government websites: [www.rqap.gouv.qc.ca](http://www.rqap.gouv.qc.ca) and [www.hrsdc.gc.ca](http://www.hrsdc.gc.ca); also see Phipps 2006.)

Parental benefits program	Parental insurance program (basic plan) <sup>1</sup>
<b>Birth mothers</b>	
<ul style="list-style-type: none"> <li>• 15 weeks of maternity leave</li> <li>• 55% of average earnings up to a maximum of \$39,000 in 2006 (\$413 per week)</li> <li>• two-week waiting period</li> <li>• requires 600 hours of paid work in past year</li> <li>• self-employed excluded</li> <li>• non-flexible</li> </ul>	<ul style="list-style-type: none"> <li>• 18 weeks of maternity leave</li> <li>• 70% of average earnings up to a maximum of \$57,000 in 2006 (\$767 per week) (adjusted every year)</li> <li>• no waiting period</li> <li>• requires at least \$2,000 of earnings in past year</li> <li>• covers salaried and self-employed</li> <li>• some flexibility<sup>1</sup></li> </ul>
<b>Birth fathers</b>	
<ul style="list-style-type: none"> <li>• not applicable</li> </ul>	<ul style="list-style-type: none"> <li>• 5 weeks of paternity leave</li> </ul>
<b>All parents (birth and adoptive)</b>	
<ul style="list-style-type: none"> <li>• 35 weeks of parental leave</li> <li>• taken by one or shared by both</li> <li>• same rules as maternity leave but no second waiting period required</li> </ul>	<ul style="list-style-type: none"> <li>• 32 weeks parental leave for birth parents</li> <li>• 37 weeks parental leave for adoptive parents</li> <li>• taken by one or shared by both parents</li> <li>• same rules as maternity except for benefit rate: 7 weeks at 70%, rest at 55% for birth parents; 12 weeks at 70%, rest at 55% for adoptive</li> </ul>

1. Parents can choose between the basic or the special plan. In all types of benefits—maternity, paternity, parental or adoption—the special plan offers fewer benefit weeks (15, 3, 25 and 28, respectively) at an income-replacement rate of 75%.

Perhaps because paternity and parental benefits are listed as separate programs, men in Quebec are more inclined to participate in only one. The situation outside Quebec is reversed—among fathers who claimed, the average time off actually rose from 11 weeks in 2005 to 17 weeks in 2006, representing almost half of the parental leave time available. This relatively long duration likely arose because more

than half of claiming fathers outside Quebec were the sole claimant in the household.

**Main income earner also influences fathers' participation**

Many factors can influence an eligible father's decision to use available parental leave. An analysis of 30 European programs found five main determinants of take-up rates

by fathers—payment level (financial impact), organizational and social culture (expected roles for men and women), program flexibility (when and how leave can be taken), labour market (employer attitude and perceived career advancement), and educational level of parents (Plantenga and Remery 2005). The data in this study allowed an examination of education and income-related factors, and although it could not address the subtler issues of cultural and employer attitudes, the survey did include one question about why the father did not file for benefits. These characteristics of eligible fathers using parental leave were examined in a logistic regression model. Separate models were run for fathers inside and outside Quebec.

Participation in the federal PBP has a potentially greater financial impact on a family than does the basic QPIP because of the earnings replacement rates—55% and 70% respectively. Although some employers offer supplementary top-ups to compensate for reduced earnings, the majority of parents on paid leave do not receive such income. In 2006, 21% of mothers in receipt of parental leave benefits also reported receiving an employer top-up—29% in Quebec and 17% outside Quebec.<sup>5</sup> The more generous non-transferable paternity benefit in Quebec is probably part of the reason the regression results show fathers in that province to be 10 times more likely to claim benefits than fathers living in other provinces (Table 2).

Although the proportion of fathers claiming parental leave benefits is higher when either partner has a college-level education or above, controlling for income factors such as household income before birth,

**Table 2 Eligible fathers' participation in paid parental leave (PL)**

	Total	Claimed PL <sup>1</sup>	Odds ratio <sup>2</sup>		
			Overall	Quebec	Outside Quebec
	'000	%			
<b>Total</b>	<b>271</b>	<b>23</b>	...	...	...
Quebec	73	56	10.2*	...	...
Elsewhere (ref)	198	11	1.0	...	...
Father's education					
College diploma or above	147	26	1.2	1.2	1.2
Less than college diploma (ref)	124	19	1.0	1.0	1.0
Mother's education					
College diploma or above	183	27	1.4	1.5	1.2
Less than college diploma (ref)	88	16	1.0	1.0	1.0
Household income month before birth					
Less than \$2,500 (ref)	60	23 <sup>E</sup>	1.0	1.0	1.0
\$2,500 to \$4,999	109	23	1.1	0.8	0.9
\$5,000 or more	93	23	1.1	1.2	0.7
Mother receiving PL	189	25	...	...	...
Earns less than father (ref)	102	20	1.0	1.0	1.0
Earns the same or more than father	55	37	2.5*	3.5*	2.5
Earning ratio not known	31	F	1.3	2.7	0.8
Mother not receiving PL	83	19	1.5	0.3	3.4*

\* statistically significant from the reference group (ref) at the 0.05 level

1. Excludes fathers whose claim status is unknown.

2. This logistic regression calculation indicates whether certain variables significantly increase or decrease the chances (odds) of the father claiming parental leave benefits.

Source: Statistics Canada, Employment Insurance Coverage Survey, 2006.

maternal receipt of maternity/parental benefits and the mother's earnings relative to the father's shows that education does not make a significant difference.

The average household income in the month prior to the birth or adoption also does not appear to make a difference, as households in all income ranges reported roughly the same take-up rates by fathers. This particular income measure may not reflect the true usual monthly income since some mothers may already have been off work in the month prior to the birth. However, another factor supporting the finding is that an

equal proportion of all household types reported "money-related matters" as the main reason the father did not claim benefits. Overall, roughly one in five households from each of the different income groups reported finances as the main reason (data not shown).

Another financial consideration is the income a family will lose when one or both parents choose to stay home, with or without paid benefits. Unless individuals receive an employer top-up, or they choose not to take a break from work, the income of most families will decrease after birth.<sup>6</sup>

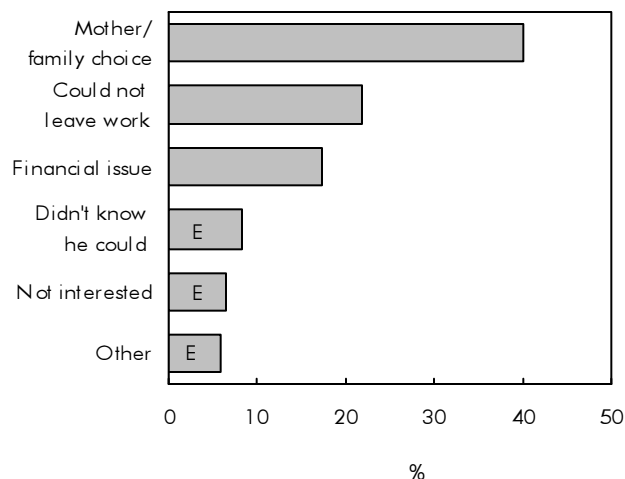
In couples where the mother earned the same as or more than the father and received benefits, 37% of fathers claimed some of the parental leave benefits. After controlling for household income and level of education, fathers in these families were 2.5 times more likely to file for benefits than those in families where the mother received benefits but earned less than the father. This strongly suggests that some families take into account whose salary reduction will be larger before deciding who will file for benefits in order to minimize the loss, but that overall household income level does not make a difference. If the income loss is equal or higher if the mother stays home, couples are more likely to share the benefits. In other words, in terms of a father's participation in the PBP or QPIP program, total family income is not as important as how much the family will lose if the father rather than the mother stays home. This finding is significant at the 0.004 level for all couples, the 0.05 level for couples in Quebec and 0.09 for those outside Quebec.

Finally, regression analysis confirms that fathers outside Quebec are more likely to claim benefits if their partner does not claim benefits. After controlling for other factors, fathers outside Quebec were 3.4 times more likely to claim parental leave if their spouse did not claim leave than fathers with spouses who claimed and earned less.

### Social factors also important

When asked why their eligible spouse did not apply for parental benefits, 4 in 10 mothers reported that it was the preferred arrangement of the mother or the family

**Chart C Eligible fathers not claiming most commonly did so by choice**



Note: The reason was reported by the mother.  
 Source: Statistics Canada, Employment Insurance Coverage Survey, 2006.

(Chart C). Some common responses in this category included: the mother wanted to take all of the weeks; it was more practical; the mother was nursing; and it was a personal decision. A decision based on individual preference is complex and difficult to predict since it is often influenced by emotions, attitudes and expectations. As shown, a family decision on whether the father claims some of the parental benefits is not based entirely on income and earnings considerations.

However, apart from preference, a sizeable minority of other reasons were given for fathers not claiming. The second most common was that it was impossible to take time off from work (22%). Although not specified, this could reflect logistical problems in taking a break from work, or a perception that the employer would not permit it. Other main reasons included finances (17%), no knowledge of the program (8%) and lack of interest (7%).

**Claim patterns vary**

Other information in the survey included the timing of the father's parental leave claim in relation to the mother's. Among couples where the father claimed

benefits, in roughly half the spouses claimed at the same time, in one-quarter they claimed at different times, and in one-quarter only the father claimed—with co-claiming fathers taking an average of 6 weeks off and sole-claiming fathers, 22 weeks (Table 3). However, this overall pattern masks considerable differences between Quebec and the rest of Canada.

In the majority of couples in Quebec (70%), the father claimed benefits at the same time as the mother for an average of 6 weeks; in the majority of couples outside Quebec (79%), the father was not claiming benefits at the same time as the mother and they claimed for an average of 20 weeks. In fact, 55% of fathers outside Quebec who claimed had a wife who did not claim benefits.

**Conclusion**

Paid leave programs are intended to help parents balance work and family responsibilities. As well as extending leave, many countries view increased paternal involvement as another means of reaching this goal. To encourage fathers' participation in paid parental leave, some countries have made program rules more flexible, offered bonus weeks as incentive for fathers, or created non-transferable paternal leave periods.

**Table 3 Claim patterns for couples where the father claimed parental leave**

	Total	Quebec	Elsewhere
<b>Total</b>	<b>62,200</b>	<b>39,800</b>	<b>22,400</b>
		%	
Claimed same time as mother	53	70	F
Did not claim with mother	47	30	79*
Only father claimed	26	F	55
Claimed separately	22	F	F
		Average weeks off <sup>1</sup>	
<b>Overall</b>	<b>11</b>	<b>7</b>	<b>17*</b>
Claimed same time as mother	6	6	F
Did not claim with mother	16	11	20*
Only father claimed	22	F	22
Claimed separately	10 <sup>E</sup>	F	F

\* significant difference from Quebec at the 0.05 level  
 1. Excludes cases where the length of claim time is unknown.  
 Source: Statistics Canada, Employment Insurance Coverage Survey, 2006.

In 2001, the federal Parental Benefits Program increased the length of shareable paid parental leave benefits from 10 to 35 weeks and eliminated the second two-week unpaid waiting period for co-sharing parents. Shortly after these changes were made, mothers increased the time they stayed at home and fathers increased their overall participation rate from 3% in 2000 to 10% in 2001 (Marshall 2003).

In 2006, Quebec introduced its own Parental Insurance Plan, which included higher benefit rates, no unpaid waiting period, and a five-week non-transferable leave for fathers. One result of these changes was a jump in the proportion of eligible fathers in Quebec claiming benefits from 32% in 2005 to 56% in 2006, compared with just 11% for fathers outside Quebec.

On the other hand, fathers in Quebec claimed an average of 13 benefit weeks in 2005 and 7 in 2006, whereas fathers outside Quebec increased their time from 11 to 17 weeks. The 2006 finding in Quebec is clearly linked to the large increase in fathers participating in only the five-week paternity program. The reason for the increase in the weeks of leave for fathers outside Quebec is less obvious.

Some families take the potential income loss of the higher-earning spouse into account before deciding who takes the benefits. Fathers across Canada were 2.5 times more likely to claim benefits if they had a co-claiming spouse who earned the same or more than those with a co-claiming spouse who earned less. Finally, fathers outside Quebec were 3.4 times more likely to claim if their spouse did not claim, suggesting that when a family is at risk of not receiving any benefits (which is more often the case outside Quebec), fathers significantly increase their participation rate.

The evolving parental leave programs correspond with ongoing employment and social changes, including the growth in dual-earner couples, increasing expectations that men be involved with the care of children and an increasing awareness of quality of life beyond work issues (Moss and O'Brien 2006). Indeed, research in Canada has shown that spouses are increasingly sharing financial, household and child care responsibilities (Marshall 2006). One in five fathers taking paid parental leave is yet another indicator that dual-earner families are becoming dual-carer as well.

**Perspectives**

■ **Notes**

1. See Phipps 2006 for a more detailed history of Canada's maternity and parental leave programs.
2. In addition to its social objectives, the economic objectives of the PBP are to allow business to retain valuable, experienced employees, and make short-term investment for long-term economic gain (HRSDC 2005).
3. Based on the mother's reporting of spousal ineligibility (see *Data source and definitions*). The remainder of the paper focuses on eligible fathers.
4. In 2006, the overall take-up rate by all fathers, eligible or not, was 48% in Quebec and 10% outside Quebec.
5. Whether a mother received a top-up was tested in the regression models and found to be not significant. Information on employer top-up rates for fathers was not collected.
6. In 2006, among couples where at least one parent claimed benefits after the birth, 72% reported a drop in monthly income averaging \$1,300. Only 27% of couples where neither parent claimed benefits reported an income reduction, but for those who did report a drop, the average was \$1,700. Most non-claiming families (73%) do not experience an income drop because they either were not in the labour force prior to the birth, or were employed but ineligible for benefits and therefore less likely to take a break from working. However, some families take a break even if they are not entitled to benefits, making the time away from work even more costly.

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# Changes in family wealth

Raj K. Chawla

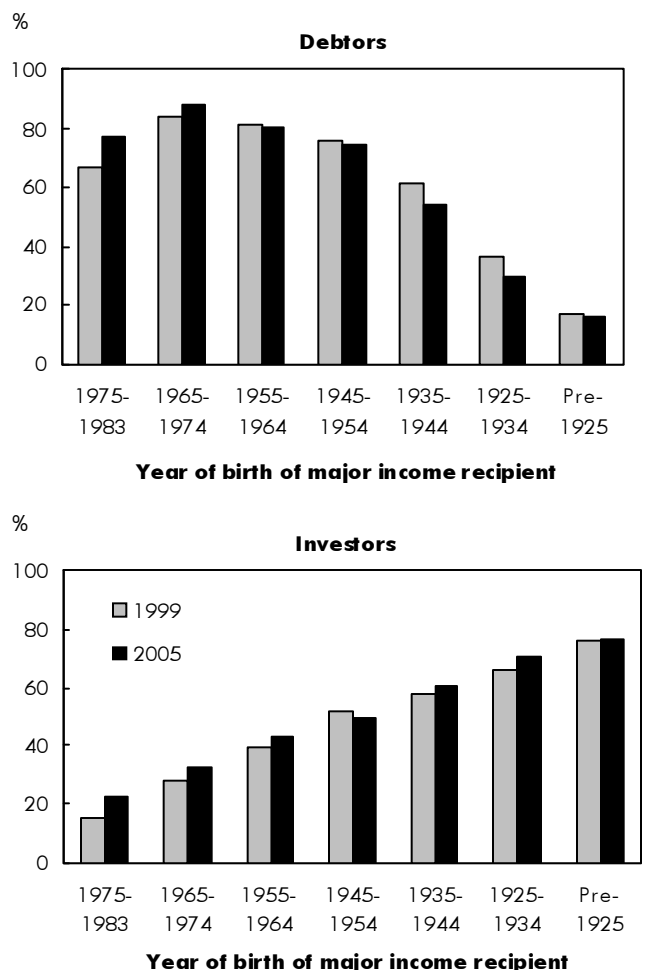
The Canadian economy performed well between 1999 and 2005. Buoyed by rising incomes coupled with stable inflation and low interest rates, Canadians went on a spending spree.<sup>1</sup> However, much of the increased spending was financed through credit, as the personal savings rate fell from 4.0% to 1.6% and per capita debt climbed to \$28,400 in 2005. Did this additional debt support increased consumption or was it invested in appreciating assets?

Using the Survey of Financial Security, this paper compares family assets and debts in 2005 with the situation in 1999. The survey collected data on 18 financial assets, ranging from the risk-free (bank accounts and term deposits, Canada Savings Bonds) to riskier investments in stocks and mutual funds—whether tax-sheltered like RRSPs or not.<sup>2</sup>

Families are divided into seven cohorts, based on the year of birth of the major income recipient (MIR), ranging from those in their 20s in 2005 to those 80 and over (see *Data source and definitions*). These cohorts are matched back to major income recipients from the same birth cohorts surveyed in 1999. For example, those aged 22 to 30 in 2005 correspond with 16- to 24-year-olds in 1999. These seven groups are not true cohorts since they consist of ‘similar’ individuals at two points in time. Nevertheless, they provide an intuitive look at the accumulation of assets and debts across the life cycle.<sup>3</sup>

The groups together paint a portrait of the typical family as it passes along the life course: finishing their education and leaving the parental home (20s); launching their careers and starting new families (30s); amassing assets and raising the next generation (40s); paying off major debts and beginning retirement planning (50s); winding down careers and easing into retirement (60s); downsizing and drawing on savings (70s); and, finally, managing assets as the end of life approaches (80s).

**Chart A The proportion of debtors increases early in the lifecycle but declines steadily later**



Source: Statistics Canada, Survey of Financial Security, 1999 and 2005.

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## Data source and definitions

The analysis is based on the **Survey of Financial Security (SFS)** for the years 1999 and 2005. The survey collected information on family demographics, assets and debts at the time of the survey, and income during the preceding calendar year. It covered private households in the 10 provinces. Excluded were persons living on Indian reserves, members of the armed forces, and those living in institutions such as prisons, hospitals, and homes for seniors.

Each year used a regular area sample supplemented by a small sample of 'high income' households in order to improve wealth estimates at the upper end of the income distribution. Financial data were sought from the family member most knowledgeable about the family's finances. Although the sample size of the 2005 SFS was about one-third of that in 1999, the surveys were otherwise identical. This simplifies not only the comparability of wealth by components, but also measurements of change over time. Nonetheless, two adjustments were made to the 1999 data: first, the sample was re-weighted following the procedure used for the 2005 sample, and second, all money data were converted to 2005 dollars in order to remove the effect of inflation—acknowledging that it may not have affected all assets uniformly. The analysis is based on a sample of 15,933 families in 1999 and 5,103 in 2005.

**Family** refers to economic families and unattached individuals. An economic family is a group of persons sharing a common dwelling and related by blood, marriage, common law or adoption. An unattached individual lives alone or with unrelated persons.

The **major income recipient** is the family member with the highest income before tax. If two persons had exactly the same income, the older one was selected.

**Pre-tax family income** is the sum from all sources during the calendar year received by family members aged 16 and over. Sources include wages and salaries, net income from self-employment, investments, government transfers, pensions, scholarships and alimony. Excluded are income in kind, tax refunds, and inheritances.

**Government transfers** include all direct payments from federal, provincial and municipal governments to individuals or families. These include Child Tax Benefits, Employment Insurance, Canada/Quebec Pension Plan benefits, Old Age Security, Guaranteed Income Supplement, Spousal Allowance, Goods and Services Tax credit, workers' compensation, social assistance, provincial tax credits, and training allowances.

**Financial assets** consist of liquid and non-liquid assets. Liquid assets include deposits held in chequing and savings accounts, term deposits, guaranteed investment certificates, Canada Savings Bonds (including accrued interest), and other bonds. Non-liquid assets comprise registered retirement savings, registered education savings, registered retirement income funds, deferred profit sharing plans, treasury bills,

stocks, mutual funds, mortgages owned, loans to others, annuities, trust funds, and other miscellaneous financial assets.

**Non-financial assets** are the market value of the owner-occupied home, other real estate, market value of owned vehicles (including recreational), value of the contents of a residence, other valuables and collectibles, and other non-financial assets.

**Business equity** is the market value of business assets less the book value of debt outstanding.

**Savings in employer pension plans** at the family level are the sum of accrued savings that can be claimed by members covered under such plans on termination of their job. Among retirees, these reflect their current entitlement. In both surveys, such pension savings were estimated on the basis of information collected on the type of plan, yearly contribution, and the number of years contributed, etc.<sup>7</sup> Unlike conventional assets like a home or business, savings in such plans are not transferable except to a surviving spouse.

**Total debt** comprises any mortgage on an owner-occupied home or other real estate and all non-mortgage debt; the latter includes amounts owing on credit cards, secured and unsecured loans (including lines of credit from banks and other institutions), car loans, and other unpaid bills.

**Wealth** is total assets less total debt. It is based on marketable assets (with the exception of savings in employer pension plans) that are in direct control of families. It does not include future claims on publicly funded income security programs or any potential returns on human capital (like employment income or the ability to generate investment income).

To keep tables to a manageable size, wealth was examined in terms of eight components: savings in employer pension plan, business equity, home equity, equity in other real estate, and equity in vehicles, value of contents of residence, other non-financial assets, and net financial assets (total financial assets less total non-mortgage debt).

**Mean wealth** is aggregate wealth divided by the total number of families, whereas **median wealth** is the value at which half the families have lower values and half have higher values. The mean value is affected by extreme values whereas the median is not.

The **Gini coefficient** is a measure of inequality in a distribution. It lies between zero (no inequality) and one (total inequality)—the closer it is to 1.0, the greater the inequality in the distribution.

A family is treated as a **debtor** if it owes any money on a mortgage or other debt, and as an **investor** if it has non-zero investment income for the reference year. Investment income includes interest earned on deposits and bonds, dividends from stocks or mutual funds, and net rental income.

It is important to remember that this approach approximates how the assets and debts of a demographic cohort progressed over 6 years, as opposed to comparing groups of the same age at different points in time.

Although the primary focus of the cohort analysis is the accumulation of wealth, it was the sharp increase in debt from 1999 to 2005 that motivated this study. Thus it begins with a look at the ebb and flow of debt across the life cycle (see *Family cohorts*).

### Debt mounts until about age 40, then declines

The rate of indebtedness is largely a function of life-cycle stage. Young families typically start with low incomes and high expenses related to establishing a home and raising children. The imbalance is resolved by home mortgages and other forms of credit. As incomes increase over time and financial needs drop, families not only pay down their debt but also begin to invest. Indebtedness peaks at over 80% by the time the MIR is 40 and then slides below 20% after retirement (Chart A). On the other hand, the proportion of families with investment income increases steadily, from 15% for the youngest group in 1999 to 77% for the oldest in 2005.<sup>4</sup>

Although life-cycle patterns explain much of the asset and debt picture, economic trends are also important. Historically low interest rates at the beginning of the 2000s facilitated borrowing—the overall debt-to-income ratio jumped from 1.02 in 1999 to 1.21 in 2005—as average debt jumped by almost a third, from \$62,700 to \$82,500, while average family income increased only about 10%, from \$61,600 to \$68,100 (Chart B).

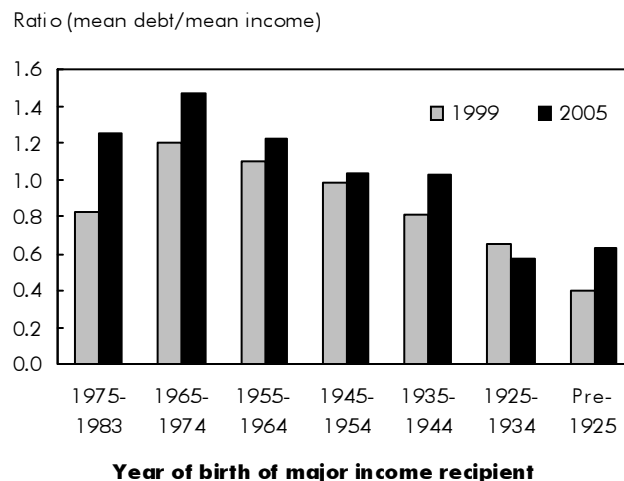
Only families with a major income recipient in their 70s reduced their average debt load. Most of the new debt went into the booming housing market, fuelled by low interest rates, low down payment options and a strong labour market. Still, other types of debt grew in lock-step so that the overall distribution changed little.

Even though more families were indebted and carrying larger financial liabilities in 2005, they were still wealthier—mean wealth holdings rose from \$281,000 in 1999 to \$380,700. Half of this additional wealth was non-financial—home equity, vehicles, other real estate, home contents, and valuables and collectibles. The other half consisted of savings in employer pension plans, business equity and net financial assets.

### Families in their 20s

Families in the youngest cohort represented 6% of all families in 1999 (Table 1). Families in this (and

**Chart B The debt-to-income ratio declines steadily after age 40**



Source: Statistics Canada, Survey of Financial Security, 1999 and 2005.

### Family cohorts

To study changes in family wealth over time, the ideal source would be longitudinal. However, using surveys conducted at different times allows the creation of groups of families (cohorts) sharing a common characteristic. The usual classifying characteristic is the age of a person—in this study, the major income recipient at the time of the 1999 survey. While other characteristics such as the type of family, area of residence, or income may change over time and contaminate the concept of a cohort, a person's age is least volatile and easy to use.

To avoid the problem of a family of two or more changing over time into two or more unattached individuals or vice versa, families and unattached individuals are used collectively as a unit of analysis. Given the range of age groups, the major income recipient may have changed, especially if one spouse retired and the other continued to work. Families with a major income recipient who was under 22 or who immigrated to Canada after 1999 were excluded from the 2005 data (accounting for 5.2% of families and 1% of the total wealth).<sup>8</sup> No adjustment was made for emigrants who left after July 1999, or for those who may have been temporarily away between 1999 and April 2005.

#### Cohorts were created as follows:

Year of birth	Age of major income recipient at time of survey		In text, families are referred to as in their
	1999	2005	
1975 to 1983 (Cohort 1)	16 to 24	22 to 30	20s
1965 to 1974 (Cohort 2)	25 to 34	31 to 40	30s
1955 to 1964 (Cohort 3)	35 to 44	41 to 50	40s
1945 to 1954 (Cohort 4)	45 to 54	51 to 60	50s
1935 to 1944 (Cohort 5)	55 to 64	61 to 70	60s
1925 to 1934 (Cohort 6)	65 to 74	71 to 80	70s
Pre - 1925 (Cohort 7)	75 plus	81 plus	80s

**Table 1 Pre-tax income and wealth of families by cohort**

Year of birth of major income recipient	Families	Total wealth	Mean income	Median income	Mean wealth	Median wealth	Change in mean wealth	Change in mean wealth due to:	
								Families with assets or debts	Value of assets or debts
		%			\$ 2005				%
<b>1999</b>	<b>100.0</b>	<b>100.0</b>	<b>55,600</b>	<b>43,700</b>	<b>281,000</b>	<b>120,500</b>	<b>99,800</b>	<b>7.9</b>	<b>92.1</b>
1975 to 1983	5.6	0.5	21,300	14,000	25,100	1,800	24,600	95.7	4.3
1965 to 1974	18.6	6.3	49,400	42,800	94,600	32,800	85,500	34.0	66.0
1955 to 1964	24.5	18.4	63,600	55,000	210,800	106,900	246,000	10.2	89.8
1945 to 1954	19.5	26.0	72,500	59,100	373,600	209,100	196,300	-0.7	100.7
1935 to 1944	12.9	23.6	59,400	46,200	514,600	305,900	67,300	-37.6	137.6
1925 to 1934	10.9	16.0	44,000	35,500	414,500	291,700	69,700	1.0	99.0
Pre-1925	8.0	9.3	38,300	26,500	323,800	188,500	65,700	26.3	73.7
<b>2005</b>	<b>100.0</b>	<b>100.0</b>	<b>61,000</b>	<b>46,600</b>	<b>380,700</b>	<b>163,200</b>	...	...	...
1975 to 1983	15.7	2.0	40,300	32,700	49,600	13,000	...	...	...
1965 to 1974	17.7	8.4	67,100	57,000	180,100	91,500	...	...	...
1955 to 1964	22.8	27.4	79,200	65,400	456,800	221,500	...	...	...
1945 to 1954	18.7	28.0	70,500	58,100	569,900	330,700	...	...	...
1935 to 1944	12.7	19.5	51,700	41,100	581,900	377,700	...	...	...
1925 to 1934	8.5	10.8	42,100	33,100	484,200	332,400	...	...	...
Pre-1925	3.8	3.9	35,000	26,900	389,500	237,200	...	...	...

Source: Statistics Canada, Survey of Financial Security, 1999 and 2005.

the next) cohort are at the stage of family formation and expansion, home purchase, and asset building. 'Family' is used in the broad sense, since as many MIRs remained single as were married by 2005. Not surprisingly, because accumulation takes time, young families have the lowest holdings of financial assets. By 2005, they had raised their share of total wealth from 0.5% to 2.0%. Their mean holdings nearly doubled (from \$25,100 to \$49,600), almost entirely due to changes in the rates of asset ownership and debts owed. About half of this cohort's wealth gain came from home equity and contents and savings in an employer pension plan; another third came from net financial assets. For instance, 26% owned a home in 2005 compared with just 8% in 1999, while the respective proportions in mortgaged homes were 95% and 76%. Even this early in their careers, 42% had RRSPs and 33% had employer pension plans in 2005 compared with 21% and 13%, respectively, in 1999. On the other hand, seven in ten had outstanding loans (education, vehicle or other) or credit card balances owing.

The composition of total financial assets changed the most (44 percentage points) for these young families. From having 55% of their assets in bank accounts and term deposits and 17% in RRSPs in 1999, they had switched to 50% in RRSPs and just 22% in accounts and term deposits by 2005.

### Families in their 30s

This cohort represented 19% of all families in 1999. Even though these families took on more additional debt (41%) than any other cohort, their mean wealth almost doubled—from \$94,600 to \$180,100. One-half of this increase came from home equity alone, followed by increases of 15% in employer pension plans and 12% in net financial assets. These three components accounted for nearly 80% of the increase in this cohort's wealth.

By this stage, the majority were two-spouse families with children. More of them had a home with a mortgage, raising their rate of homeownership from 41% to 62%. And, to provide for their children's postsecondary education, the proportion with RESPs jumped



from 7% to 21%, compared with much smaller increases for savings in an employer pension plan (from 38% to 49%) or an RRSP (from 57% to 63%) (Table 2).

Despite the substantial gains for this cohort, their share of total wealth increased only modestly—from 6% to 8%.

### Families in their 40s

This cohort consisted of the latter half of the baby boomers. They were in their peak income years and represented 25% of all families in 1999. Even though they took 29% of the additional household credit, they improved their share of total wealth from 18% in 1999 to 27% by 2005—the largest gain in wealth share of any cohort.

A little over half of these families were couples with children and/or other relatives and another one-fifth were unattached individuals. Not only did the incidence of homeownership among families in this cohort rise between 1999 and 2005 (from 63% to 74%), their holdings of other real estate also increased (from 15% to 21%). In fact, they had the highest change in the rate of ownership of other real estate. Although the proportion with RRSPs remained unchanged (65%), the proportion with RESPs more than doubled—from 10% to 22%. And their employer pension plan participation rose from 47% to 52%.

These late boomers had the largest increase in wealth, more than doubling their holdings from \$210,800 in 1999 to \$456,800 by 2005. Equity in a family home and other real estate accounted for almost one-half of this gain and business equity for another one-fifth. The remainder came from employer pension plans and net financial assets (Table 3).

### Families in their 50s

The older baby boomers, within sight of retirement, accounted for 20% of all families in 1999. Their share of total wealth increased modestly—from 26% in 1999 to 28% in 2005—all because of the amounts of assets and debts. Since many in this cohort had become ‘empty-nesters’—the proportion of two-spouse families with children dropped from 30% to 10%—they likely had more money to invest or pay off debts.<sup>5</sup> Homeownership rose marginally from 71.1% to 75.9% as did the proportions of those with RRSPs (from 66.8% to 69.2%) or employer pension plans (from 53% to 56%).

These early boomers increased their wealth holdings by \$196,300, bringing the amount to \$569,900 in 2005. Accrued savings in employer pension plans alone accounted for 43% of the gain, followed by 41% for equity in home or business. Net financial assets accounted for a meagre 9% of the gain.

### Families in their 60s

Families in this cohort were transitioning into retirement. In 1999, more than half of them (55%) had employment earnings as the major source of income compared with less than one-third (32%) in 2005. Overall, they represented 13% of families in 1999, comprising largely couples and unattached individuals. Their share of wealth fell from 24% in 1999 to 20% by 2005—not because their wealth declined, but because the wealth of other cohorts increased more.

Three-quarters of these families lived in an owned home and a little over half had savings in employer pension plans. Not too surprisingly, the proportion holding RRSPs fell by 11 percentage points (from 66% to 55%), counterbalanced by a similar increase in the proportion holding RRIFs (in 2005, it was still mandatory to convert funds held in RRSPs into RRIFs by age 69). Also, the proportion owning a business fell from 21% to 13% and other real estate from 26% to 21%. Apparently some families reaching their 60s opted to wrap up or sell their business or investment properties (if not transferred to the next generation) and convert the proceeds into financial or other assets.

As might be expected, these families had the highest mean wealth—\$581,900 in 2005 compared with \$514,600 in 1999. An increase in home equity alone accounted for 59% of this gain, followed by 30% for employer pension plans and 29% for net financial assets. As business ownership dropped, so did the contribution of business equity.

### Families in their 70s

These elderly unattached individuals and couples constituted 11% of all families in 1999. They were mostly retired, with government transfers and retirement income as their major sources of income (see *Families dependent on government transfers*). Between 1999 and 2005, their share of total wealth fell from 16% to 11% as their numbers dropped because of deaths and they began to use their savings to fund consumption. The proportions owning real estate, a business, vehicles, or RRSPs fell, whereas the proportions holding RRIFs or

**Table 2 Families owning selected assets and owing debts**

	Year of birth of major income recipient							Total
	1975-1983	1965-1974	1955-1964	1945-1954	1935-1944	1925-1934	Pre-1925	
<b>1999</b>	%							
<b>Assets</b>								
Home	7.8	41.0	62.5	71.1	74.4	71.7	61.6	59.6
Other real estate	4.6	8.6	14.9	22.5	25.5	19.3	12.2	16.3
Business	3.3	16.7	24.8	27.7	21.4	8.9	4.0	18.8
Vehicle	45.8	74.0	81.5	83.3	82.8	78.2	59.8	76.5
Employer pension plan	12.9	37.6	47.1	52.5	54.3	55.2	44.0	46.0
Canada Savings Bonds	7.7	9.2	14.3	14.1	16.3	14.8	19.8	13.7
Stocks or mutual funds	8.7	19.9	20.9	24.4	26.4	20.8	15.9	21.0
Registered education savings plan	1.8	6.7	10.2	7.3	2.0	0.6	0.3	5.6
Registered retirement savings plan	21.3	57.4	65.2	66.8	65.5	33.9	5.3	53.4
Registered retirement income fund	0.0	F	F	F	5.2	33.6	25.7	6.5
<b>Debts</b>								
Mortgage on home	5.9	37.4	49.3	42.2	24.3	9.4	3.0	32.0
Line of credit	5.6	17.2	20.9	20.6	14.7	6.1	2.1	15.4
Credit cards	27.8	43.6	41.0	36.3	27.8	16.3	7.4	32.7
Vehicle loan	18.3	28.8	25.8	23.8	17.2	9.4	2.7	20.8
Student loan	29.8	22.5	9.6	13.6	5.2	1.8	F	11.7
Mortgage debt (overall)	7.0	39.3	52.0	45.4	27.5	10.9	3.2	34.3
Non-mortgage debt	65.4	77.6	70.9	66.0	54.5	32.3	14.6	60.1
Total debt	66.7	83.7	81.1	75.9	61.7	36.3	17.1	67.3
<b>2005</b>								
<b>Assets</b>								
Home	25.8	62.2	73.9	75.9	73.4	72.0	61.0	63.9
Other real estate	6.3	12.4	20.5	20.9	21.2	16.4	11.3	16.3
Business	9.0	19.8	23.4	23.0	12.8	6.0	2.9	16.8
Vehicle	63.9	81.6	80.4	83.7	79.1	71.1	56.4	76.8
Employer pension plan	32.7	48.5	51.5	55.7	56.2	62.2	57.3	50.5
Canada Savings Bonds	8.7	9.6	11.7	11.8	8.8	12.1	12.9	10.6
Stocks or mutual funds	11.2	18.8	22.4	19.6	22.3	20.5	19.2	19.2
Registered education savings plan	4.6	20.9	22.3	8.1	2.2	1.3	F	11.4
Registered retirement savings plan	42.1	62.6	65.6	69.2	54.5	6.4	F	53.2
Registered retirement income fund	F	F	1.1	2.4	15.5	51.6	27.8	8.3
<b>Debts</b>								
Mortgage on home	24.6	55.9	50.0	35.2	18.3	6.0	F	34.8
Line of credit	20.5	31.6	35.0	26.8	22.3	8.5	F	25.5
Credit cards	40.2	45.4	40.5	37.2	23.9	12.2	5.4	34.8
Vehicle loan	29.3	30.3	33.2	31.6	17.3	9.8	F	26.6
Student loan	32.2	16.4	8.7	6.9	1.5	F	F	11.5
Mortgage debt (overall)	27.0	57.0	53.1	39.3	20.9	6.4	3.7	37.2
Non-mortgage debt	72.9	77.5	72.3	67.2	48.7	27.1	13.7	63.3
Total debt	76.8	87.8	80.6	74.1	54.1	29.9	16.1	69.9

Source: Statistics Canada, Survey of Financial Security, 1999 and 2005.

**Table 3 Decomposition of growth in mean wealth and composition of wealth of families**

	Year of birth of major income recipient							Total
	1975-1983	1965-1974	1955-1964	1945-1954	1935-1944	1925-1934	Pre-1925	
<b>Change in mean wealth</b>	<b>24,600</b>	<b>85,500</b>	<b>246,000</b>	<b>196,300</b>	<b>67,300</b>	<b>69,700</b>	<b>65,700</b>	<b>99,800</b>
				\$				
				%				
<b>Decomposition by component</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Employer pension plan	15.4	15.3	15.4	43.2	30.2	21.3	53.5	26.3
Business	4.5	5.9	19.3	17.6	-14.8	-13.5	-10.9	13.9
Home	20.9	51.4	26.9	23.8	58.6	57.1	53.2	34.5
Other real estate	1.6	5.9	20.4	5.3	-4.8	12.2	9.5	13.7
Vehicle	6.4	3.3	0.7	1.0	0.5	-3.5	-1.9	0.8
Contents of residence	15.8	6.7	1.2	-0.2	-2.6	0.8	-2.8	0.8
Other non-financial assets	0.8	-0.5	0.2	0.0	3.6	1.0	-2.3	0.1
Net financial assets	34.6	12.1	16.0	9.4	29.3	24.7	1.6	9.9
<b>Composition of wealth 1999</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Employer pension plan	1.0	7.2	12.6	18.4	27.1	25.8	19.3	19.9
Business	5.0	21.3	18.2	13.6	9.1	4.8	3.7	11.5
Home	42.3	25.6	29.1	26.2	23.2	26.6	29.4	26.4
Other real estate	14.6	6.9	5.4	6.9	6.7	5.1	4.2	6.1
Vehicle	11.6	6.0	4.2	3.0	2.6	2.6	1.8	3.2
Contents of residence	19.4	13.8	8.9	5.9	4.2	4.0	4.4	6.2
Other non-financial assets	4.1	2.7	2.1	1.2	1.1	0.7	0.9	1.4
Net financial assets	2.1	16.6	19.4	24.7	26.1	30.4	36.4	25.4
<b>2005</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Employer pension plan	8.1	11.0	14.1	27.0	27.4	25.2	25.1	21.5
Business	4.7	14.0	18.8	15.0	6.3	2.1	1.2	12.1
Home	31.7	37.8	27.9	25.3	27.3	31.0	33.4	28.5
Other real estate	8.2	6.4	13.4	6.4	5.4	6.1	5.1	8.1
Vehicle	9.0	4.7	2.3	2.3	2.3	1.7	1.2	2.5
Contents of residence	17.6	10.4	4.7	3.8	3.4	3.5	3.2	4.8
Other non-financial assets	2.5	1.2	1.1	0.8	1.4	0.8	0.3	1.0
Net financial assets	18.2	14.5	17.6	19.4	26.5	29.6	30.5	21.4

Source: Statistics Canada, Survey of Financial Security, 1999 and 2005.

employer pension plans rose.<sup>6</sup> Between 1999 and 2005, these families increased their mean wealth by only \$69,700 (to \$484,200) with 57% coming from home equity alone, 25% from financial assets and 21% from employer pension plans.

Since mortality is a significant factor in the number and size of families in their 70s and 80s, it is important to note that the population in these cohorts is becoming less comparable at the beginning and end of the period. Therefore, the increases in wealth observed towards the end of the life course in these artificial cohorts may be due to unequal probabilities of death across the wealth distribution. True longitudinal data

would be required to determine whether wealth typically increases or declines towards the end of the life course.

### Families in their 80s

In this age cohort, unattached individuals outnumbered couples. They dropped from 8% of all families in 1999 to only 4% by 2005. Not surprisingly then, their share of total wealth fell from 9% to 4%. The proportion of homeowners remained unchanged at 61%, but the proportion of those with an employer pension plan rose from 44% to 57% (this apparent anomaly may arise because an elderly major income recipient is liv-

### Changes in wealth distribution

Families in their 20s, 30s and 40s took most of the household credit between 1999 and 2005 and also experienced major shifts in their wealth distributions. For example, the proportion of families in their 20s with a net worth of less than \$10,000 dropped from 70% to 45%, whereas the proportion worth between \$50,000 and \$249,999 jumped from 7% to 24% as these families increased their financial assets or bought a home. Overall, the distribution of wealth shifted by 26 percentage points for families in their 20s, 24 points for those in their 30s and 23 points for the 40s cohort. The shift was minimal (7 points) for families in their 60s. For instance, 14% had a net worth of one million dollars or more in 1999 compared with 15% in 2005. On the other hand, relatively more baby boomer families in

their 50s and 40s increased their wealth to one million dollars or more (see *Millionaire families* for more details).

Overall, the distribution of wealth shifted by 8 percentage points—all at the upper end of the distribution—as families increased their wealth. However, the shape of the curve remained unchanged as median wealth stayed at 43% of the mean, and inequality measured by the Gini coefficient remained at 0.678. Statistically, the situation was not much different by cohort with the exception of families in their 20s and 30s whose wealth was slightly more equally distributed in 2005 than in 1999 as more of them owned a home. Median wealth rose from 7% to 26% of the mean for those in their 20s and from 35% to 51% for the 30s cohort—indicating reduced skewness in their wealth distributions.

### Distribution of families by wealth

	Year of birth of major income recipient							Total
	1975-1983	1965-1974	1955-1964	1945-1954	1935-1944	1925-1934	Pre-1925	
	%							
<b>1999</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under \$10,000	70.3	32.3	17.5	11.9	11.6	9.7	9.2	19.8
\$10,000 to \$29,999	15.1	15.8	8.9	5.9	4.9	4.1	6.4	8.7
\$30,000 to \$49,999	5.6	10.4	6.5	4.1	2.9	3.8	4.3	5.8
\$50,000 to \$99,999	4.3	17.3	15.4	10.8	7.6	8.4	11.7	12.2
\$100,000 to \$249,999	2.9	16.0	28.7	22.6	16.9	18.6	29.2	21.1
\$250,000 to \$499,999	0.5	5.8	14.3	23.1	19.8	27.6	21.5	16.4
\$500,000 to \$999,999	0.7	1.6	6.7	15.1	22.2	19.3	11.7	10.8
\$1,000,000 or more	0.5	0.8	2.1	6.4	14.0	8.7	6.1	5.2
Median/mean wealth ratio	7.3	34.7	50.7	56.0	59.4	70.4	58.2	42.9
Gini coefficient of wealth	... <sup>1</sup>	0.755	0.656	0.615	0.586	0.537	0.586	0.678
<b>2005</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under \$10,000	45.1	20.9	12.3	10.5	9.7	6.0	7.6	17.6
\$10,000 to \$29,999	18.1	10.6	5.8	5.5	2.4	6.5	9.9	8.3
\$30,000 to \$49,999	9.4	5.2	4.1	2.3	2.3	2.3	3.8	4.4
\$50,000 to \$99,999	13.7	15.5	10.2	6.1	6.2	6.8	9.1	10.1
\$100,000 to \$249,999	10.3	25.4	21.3	17.7	19.2	20.6	20.1	19.2
\$250,000 to \$499,999	2.5	14.9	23.7	19.9	20.4	21.7	23.4	17.5
\$500,000 to \$999,999	0.5	5.7	13.8	22.1	25.0	23.5	17.4	14.2
\$1,000,000 or more	0.4	1.7	8.8	15.8	14.9	12.6	8.7	8.6
Median/mean wealth ratio	26.2	50.8	48.5	58.0	64.9	68.6	60.9	42.9
Gini coefficient of wealth	0.840	0.655	0.667	0.602	0.568	0.531	0.576	0.678

1. Since many families had a negative wealth, the coefficient turned out to be greater than 1.0 and is not shown here.  
Source: Statistics Canada, Survey of Financial Security, 1999 and 2005.

ing with a younger spouse or other relative). Between 1999 and 2005, mean wealth for these families increased from \$323,800 to \$389,500. Similar increases in employer pension plans and home equity accounted for most of the gain.

### Conclusion

Between 1999 and 2005, Canadian families took on \$215 billion of additional debt while increasing their wealth by \$1,386 billion. Most of this additional wealth

**Millionaire families**

The proportion of families with a net worth of one million dollars or more rose from 5% in 1999 to 9% in 2005. Almost all of the increase was concentrated among the baby boomers—for those in their 50s, the proportion jumped from 6% to 16%; for those in their 40s, from 2% to 9%. One in three millionaires were baby boomers in 1999 compared with about 6 in 10 by 2005. Among the oldest cohort, the proportion fell from 9% to 4% as a result of deaths, business wind-ups, home downsizing, or use of financial assets. The median age of the major income recipient in millionaire families fell from 58.2 to 56.9, but increased from 43.7 to 46.4 among non-millionaires.

On average, millionaire families held 10 times more wealth than non-millionaires (\$1.9 million versus \$190,000 in 1999 and \$2.1 million versus \$222,000 in 2005). While non-millionaires derived most of their wealth from home equity and an employer pension plan, millionaires' wealth came mostly from net financial assets, followed by

business and home equity. The mean pre-tax income of millionaires, on the other hand, was only 2.5 times that of non-millionaires—\$135,000 versus a little over \$50,000. Despite their higher incomes, the proportion of millionaires carrying debt increased from 51% in 1999 to 58% in 2005, while non-millionaires with debt inched up from 68% to 71%.

Wealth was more equally distributed than income for millionaires, but the reverse for non-millionaires.

**Gini coefficients for income and wealth**

	1999	2005
<b>Income</b>		
Millionaire families	0.425	0.413
Other families	0.407	0.399
<b>Wealth</b>		
Millionaire families	0.324	0.339
Non-millionaires	0.602	0.583

consisted of non-financial assets like a home, other real estate, vehicles and contents of a residence, and the actuarial value of employer pension plans. Since most of the additional debt was in mortgages, many families may have acquired assets using leverage.

Not all cohorts of families gained equally (see *Changes in wealth distribution*). Nearly half of the additional household wealth from 1999 to 2005 was accumulated by baby boomers in their 40s and almost another third by those in their 50s. The gain for the former consisted

of increased equity in a home, other real estate, or a business, and financial assets, whereas for the latter it came from home equity and employer pension plans. Families in their 20s and 30s improved their net worth by way of homeownership and other financial assets.

A home remained a major asset for Canadian families and its equity the largest component of wealth for most. In fact, by 2005, home equity and employer pension plans constituted over one-half of total wealth for families in their 50s, 60s, 70s or 80s. Rising real estate values pushed up home equity, and the appreciation in home value, as a proportion of home equity increased in importance for older owners.

RRSPs remained the major financial asset for families from their 20s to their 60s and RRIFs for those in their 70s and 80s. Although more families in their 30s and 40s with children contributed to RESPs, amounts paled in comparison with RRSP holdings. On the other hand, the proportions of families investing in riskier assets like stocks and mutual funds outside of registered plans dropped for most cohorts between 1999 and 2005, as did the amounts in these holdings.

**Families dependent on government transfers**

In both 1999 and 2005, about one million families drew their entire pre-tax income from government transfers. Compared with families receiving no transfers, these families were much older—the median age of the major income recipient was 49.9 in 1999 and 54.2 in 2005. Their mean income was only about \$12,000 compared with \$100,000 for other families. Because of their lower income coupled with age, less than 40% owed money compared with over 80% of those without transfers.

Even though their mean wealth rose from \$35,000 to \$57,000, it was still only about 10% of the level for those

without transfers. Since one-fifth to one-fourth of transfer-dependent families owned their home, this equity plus the value of the contents of residence constituted around 60% of their wealth compared with 30% for those with no transfers. Transfer-dependent families also had relatively more equity in other real estate and very little in the way of net financial assets or employer pension plans.<sup>9</sup>

In both years, wealth was much more unequally distributed among transfer-dependent families. Part of this may be attributed to the low proportion of homeowners in this group.



Overall, neither the shape of the wealth distribution nor inequality changed between 1999 and 2005. Nonetheless, general economic prosperity and rising real estate values resulted in 461,000 more families worth one million dollars or more—bringing the total to 1.1 million by 2005. On the other hand, 134,000 fewer families were totally dependent on government transfers.

### Perspectives

#### ■ Notes

1. Between 1999 and 2005, per capita income of Canadians rose from \$32,300 to \$42,600 (or 31.9%) whereas the rate of inflation, measured by the change in the all-items Consumer Price Index, varied between 1.8% and 2.8%, unemployment rate between 6.8% and 7.7%, and the trend-setting bank rate, that determines interest rates charged on a variety of personal loans including mortgages, between 2.50% and 5.77%.
2. Compared with the National Balance Sheet Accounts of the personal sector, a household survey collecting data on assets and debts usually provides underestimates of financial assets and slight overestimates of non-financial assets resulting in fairly comparable estimates of wealth. Under-reporting in a survey is primarily due to the poor recall capability and/or refusal of respondents. All of the missing data on components used to compile estimates of wealth are imputed.
3. A similar approach was used in an earlier study on wealth (Chawla and Pold 2003).
4. The current analysis is restricted to families by cohort based strictly on the age of the major income recipient rather than classifying families further into debtors and investors. Since the latter two concepts are much more volatile as families within a cohort may change status from debtor to investor and vice-versa, any further discussion based on these concepts is beyond the scope of this paper.
5. All other things being equal, the monetary needs of a family drop when children leave home, and consequently, that family has the opportunity to improve its wealth situation by using the spare funds to acquire more assets and/or pay off any outstanding debts. On the other hand, if the departure of children encouraged that family to change its lifestyle and tastes and spend more on goods and services, then the situation would be different.
6. An increase in the proportion holding savings in employer pension plans in this cohort may be attributed to a situation where an elderly major income recipient is likely living with a younger spouse and/or other family members. Data are analyzed at the family level. Different mortality rates between those with and without employer pension income may also be a factor.
7. A detailed description of the methodology used to estimate savings in employer pension plans can be found in *Survey of Financial Security – Methodology for estimating the value of employer pension plan benefits* (Cohen, Frenken and Maser 2001). This paper and the SFS questionnaires are available on the Statistics Canada website ([www.statcan.ca](http://www.statcan.ca)).
8. In 1999, there were 12,216,000 family units with a total wealth of \$3,432 billion. By 2005, there were 13,348,000 families with a wealth of \$4,862 billion. Excluding 694,000 families with a major income recipient under 22 or who immigrated to Canada after 1999, there were 12,654,000 families remaining for the analysis. The difference of 438,000 families between 2005 and 1999 can be attributed to the re-weighting of the 1999 sample as well as to the dissolution of two-spouse families into lone-parents and unattached individuals and formation of new two-spouse units since some unattached individuals married by 2005.
9. Transfer-dependent families, who were mostly renters, may have acquired real estate other than a home when their incomes were higher. Although incomes of families change as they dissolve or members become unemployed, withdraw, or retire from the labour market, some may have kept their assets intact. Income pertains to a given calendar year, whereas when an asset was purchased is not known.

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