

Session Number: 2D

Session Title: Aging, Intergenerational Transfers, and the Well-Being of the Elderly

Paper Number: 2

Session Organizer: Peter van de Ven

Discussant:

**Paper prepared for the 29th General Conference of
The International Association for Research in Income and Wealth
Joensuu, Finland, August 20–26, 2006**

Change in expenditure patterns of older households in Canada, 1982-2003

Raj K. Chawla

For additional information, please contact:

Author: Raj K. Chawla
Address: Labour & Household Surveys Analysis Division
Statistics Canada
9th Floor, A-8, JT Building
170 Tunney's Pasture Driveway
Ottawa, On K1A 0T6
Canada

e-mail: raj.chawla@statcan.ca

Fax : (613) 951-4179

Telephone : (613) 951-6901

This paper is posted on the following websites : <http://www.iariw.org>

Change in spending patterns of older households in Canada, 1982-2003¹

by

Raj K. Chawla

As households age, their economic and demographic situations change. Income, savings and wealth generally decline, and household size shrinks as adult children leave or a spouse dies. Spending patterns may also change. For example, older families may spend less on transportation as they experience reduced mobility, and more on health.

The economic well-being of older households with respect to pre- and post-tax income, low-income rates, and wealth holdings has been widely discussed (Myles 2000; Gower 1998; Chawla and Pold 2003; Williams 2003). However, less is known about how their income is divided among taxes, security,² consumption and savings. This article looks at three household groups based on the age of the reference person: 55 to 64, 65 to 74, and 75 or over (see *Data sources and definitions*). Since more than three-quarters of the first group had employment earnings compared with around one-third of the second group and just one-tenth of the third, the shifts in expenditure patterns should also reflect the adjustments households make as their active attachment with the labour market diminishes.³

Household expenditure depends on factors such as income, size, composition, and urban or rural location, so any comparisons over time would at least require adjustments with respect to type and size of household. A common approach is to use per capita or equivalence scale concepts (Pendakur 1998, and Johnson, et al 2005). Since the study focuses on households at a life-cycle stage when the majority is either couples with no children or unattached individuals, it should not be affected by such concerns. In 1982, unattached men and women and couples accounted for 57% of all households in the 55-to-64 group compared with 86% in the 75-and-over group; by 2003, their proportions were 61% and 85% respectively.

¹ An earlier version of this paper was published in the spring 2006 edition of *Perspectives on Labour and Income*, Statistics Canada catalogue no. 75-001-XPE. The author would like to thank Mr. Ted Wannell, Acting Director, Labour and Household Surveys Analysis Division, Mr. Henry Pold, Managing Editor, and Ms. Sheila Kulka, Editor, *Perspectives on Labour and Income* for their helpful suggestions. However, the author alone is responsible for all errors and omissions.

² Security expenditures include contributions to Canada and Quebec Pension Plans, public and private pension plans, Employment Insurance, life insurance, annuities, etc. Contributions to registered retirement savings plans (RRSPs) are not included, since these are treated as a component of money flows.

³ The analysis could have been carried out by splitting older households into only two groups: 55 to 64 and 65 and over. However, this would have masked the expenditure patterns of households in which the reference person may have opted to delay retirement until after age 65, or in which the spouse or other family members are working. Such situations, more common in 2003 than in 1982, made it desirable to examine a 65 to 74 year-old group, many of whom had some attachment with the labour force – 32% had earnings in 2003 compared with 30% in 1982. Although the tables show data for the three age groups, the text makes comparisons mainly between the 55-to-64 and 75-plus groups. In the former, the majority had earnings, whereas in the latter, the majority did not. See Chawla and Wannell (2005) for shifts in expenditures between 1982 and 2001 based on data on household surveys, and Harchaoui and Tarkhani (2004) and Sauvé (2005) for shifts based on personal expenditure data from the System of National Accounts.

Expenditure patterns change not only over the life cycle but also over time as new products and services emerge. Changes in spending patterns between 1982 and 2003 are highlighted using 'similar' rather than 'cohort' households. For example, an increase of \$100 in mean expenditure on a given item by unattached men implies that they were, as a group, spending that much more in 2003 than similar men in 1982. (All money figures are in 2003 dollars.)

Socio-demographic transitions as households age

The composition of households changes notably as they age. In both 1982 and 2003, a little over one-third of households in the 55-to-64 group still contained children or other relatives, with the remainder being unattached individuals or couples (Table 1). By 65 to 74, however, households consisted largely of couples and unattached women; and by 75 plus, unattached women predominated, at a little over 40%

Characteristic	1982				2003			
	55 - 64	65 - 74	75 & over	Total	55 - 64	65 - 74	75 & over	Total
Number of households (000)	1,203	939	527	2,669	1,881	1,221	1,131	4,233
	Percent distribution							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Type of household:								
Unattached men	6.6	6.8	12.9	7.9	9.3	9.5	14.1	10.6
Unattached women	16.4	29.3	42.9	26.2	14.3	25.0	41.6	24.7
Couples only	33.6	42.9	29.9	36.1	37.2	43.4	29.0	36.8
Households with children &/or relatives	38.5	15.0	9.1	24.5	35.1	16.8	9.0	22.9
Other mixed households	4.9	6.0	5.2	5.3	4.1	5.3	6.3	5.0
Tenure:								
Renter	27.6	31.7	43.3	32.1	24.2	24.0	35.5	27.1
Home-owner without mortgage	49.9	60.1	54.6	54.4	49.3	65.4	61.3	57.1
Home-owner with mortgage	22.5	8.2	2.1	13.4	26.5	10.6	3.2	15.7
% Households with:								
Earnings	80.3	29.5	11.3	48.8	76.0	32.4	12.2	46.4
Investment income	66.9	73.2	70.6	69.8	29.1	38.2	41.4	35.0
Government transfers	68.4	99.1	99.9	85.4	73.1	99.4	99.5	87.7
Other sources	26.0	44.1	38.8	34.9	35.5	60.3	53.5	47.5
% Composition of households' income:								
Earnings	72.9	22.4	12.4	51.0	71.7	27.7	9.2	50.3
Investment income	10.7	21.8	28.8	16.1	4.1	6.7	10.2	5.7
Government transfers	10.4	42.5	46.3	24.0	10.4	40.8	55.6	25.6
Other sources	6.0	13.3	12.5	8.9	13.8	25.0	24.9	18.5
Income from government transfers:								
None	31.6	0.9	0.1	14.6	26.9	0.6	0.5	12.3
Some	60.5	84.8	81.6	73.2	63.8	80.5	68.2	69.8
All	7.9	14.3	18.3	12.2	9.3	18.9	31.3	17.9
Size of income group:								
Under \$20,000	18.1	35.8	53.9	31.4	14.9	23.0	39.1	23.7
\$20,000 - \$34,999	18.3	34.6	27.4	25.8	17.9	32.3	35.0	26.6
\$35,000 - \$49,999	18.0	14.5	10.1	15.2	16.4	19.4	12.5	16.2
\$50,000 or more	45.6	15.0	8.7	27.5	50.8	25.4	13.4	33.5
Size of expenditure group:								
Under \$20,000	18.5	41.9	64.7	35.8	12.8	24.3	42.3	24.0
\$20,000 - \$34,999	21.3	33.9	24.4	26.4	17.9	31.2	34.7	26.2
\$35,000 - \$49,999	24.0	12.5	5.7	16.3	17.5	21.1	11.3	16.9
\$50,000 or more	36.3	11.6	5.2	21.4	51.9	23.4	11.8	33.0
Expenditure/income ratio (%):								
Under 75.0	18.9	22.2	24.9	21.3	10.6	13.6	16.0	12.9
75.0 - 94.9	38.0	33.6	35.6	36.0	34.2	32.9	36.3	34.4
95.0 - 99.9	10.4	9.6	9.9	10.0	10.3	10.0	10.0	10.1
100.1 - 104.9	8.0	10.1	7.5	8.6	5.6	6.9	6.1	6.1
105.0 - 124.9	14.6	12.8	14.1	13.9	19.6	18.1	16.2	18.3
125.0 or more	10.0	11.7	7.9	10.2	17.9	16.7	13.6	16.4

of households. Such compositional shifts result in smaller households, causing some to downsize or move to rental accommodation. For instance, between the 55-to-64 and 75-plus age groups, the proportion renting increased from 28% to 43% in 1982 and from 24% to 36% in 2003.

Another change at this time concerns major source and amount of income. In both 1982 and 2003, three-quarters of households in the 55-to-64 group had employment earnings, accounting for more than 70% of their income. For those in the 75-plus group, on the other hand, government transfers and pensions (private and work-related) became more prevalent, constituting 59% of income in 1982 and 80% in 2003. Although a greater proportion of households in the 75-plus group reported earnings in 2003 than in 1982, the share of income from earnings fell from 12% to 9%. The share of income from investments also fell for this group, from 29% in 1982 to 10% in 2003.⁴

A change in the principal component of income is accompanied by a shift in the income distribution of households as they age. In both 1982 and 2003, the majority of households in the 55-to-64 group, with earnings as the major source of income, had incomes of \$50,000 or more, whereas the majority in the 75-plus group, with pensions and transfers, received under \$20,000.

Income, consumption and expenditure changes

As households age, their income drops (Chart). The largest decline occurs between the 55-to-64 and 65-to-74 groups, as labour market attachment diminishes and earnings are no longer the major source of income. A further drop occurs between the 65-to-74 and 75-plus groups, largely because of little or no earnings and more reliance on government transfers and pensions. Compared with a mean income of \$53,100 for households 55 to 64 in 1982, those 65 to 74 received 39% less and those 75 plus, 52% less (Table 2). By 2003, even though the mean income of households in the first group had grown to \$62,800, the pattern remained the same, with income falling by 34% and 52% for those in the older groups.⁵ In both years, the mean income of households 55 or older with no earnings was about half that of those with an employed member.

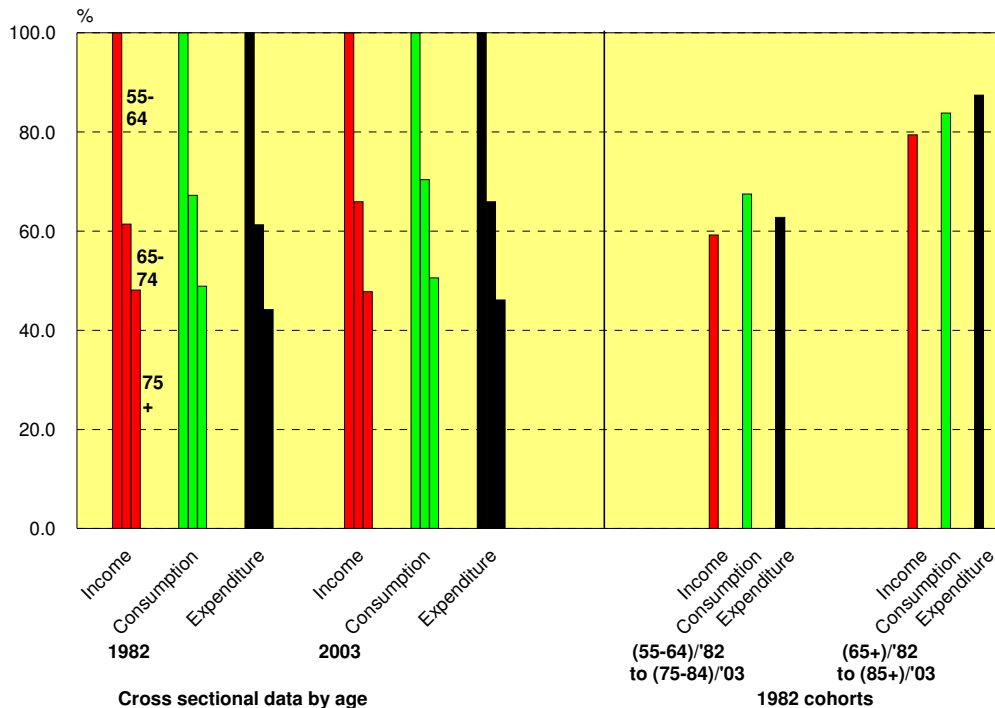
As household income declines, so does expenditure. The expenditure drop reflects primarily the drop in income tax and security contributions. Under a progressive taxation system, the effective tax rate drops as income decreases. Security contributions will also be less as people retire from paid employment. However, income and expenditure do not drop equally over the three age groups. Income drops much more significantly between the 55-to-64 and 65-to-74 groups, largely because of the loss of earnings, whereas expenditure drops more gradually because households take a little longer to adjust their spending (a similar pattern emerged for the two cohorts of households shown in the Chart). Among couples, for example, of the total drop in income over the three age groups in 2003, 68% occurred between the two younger groups (55 to 64 and 65 to 74) with 32% between the two older ones (65 to

⁴ Some of the drop in investment income may be due to the decline in the trendsetting bank rate, which fell from 13.96% in 1982 to 3.19% in 2003. Not all households are equally affected by interest-rate fluctuations. For households with large savings, a higher rate will generate more investment income, perhaps encouraging them to spend more. On the other hand, for households with greater consumer and mortgage debt liability, the higher rate may dampen spending as more of their income goes toward discharging debt.

⁵ A similar situation can be observed from the synthetic household cohorts; for example, those in the 55-to-64 age group in 1982 had lost 40.8% of their income by the time they were in the 75-to-84 group in 2003 (Chart). Households in the 65-and-over group in 1982, on the other hand, had lost 20.1% of their income by the time they reached the 85-and-over group. This shows that income drops rapidly as one moves from work to partial or full retirement and then more gradually as retirees use their annuities, investment income, etc. Using longitudinal income data based on tax records, Gower (1998) showed that retirees in 1995 had 58% of pre-retirees' income.

74 and 75 plus); the corresponding drops in expenditure were 64% and 36%, with 58% and 42% for personal consumption.

Chart . The largest drops in income, consumption and expenditure occur between the first two age groups



Spending changes by age

Since income is a key determinant of expenditure, a drop in income may adversely affect standard of living. Households may spend more than their income, running down savings or incurring debt in order to maintain their lifestyle. In fact, about one-third of households 55 and over spent more than their income in 1982, and almost 41% in 2003⁶. One-sixth of households in the 55-to-64 and 75-plus groups were on the border line, with expenditure within 5% of income. The majority of those who outspent their income did so by 5% to 25%.

All households spent most of their income dollar on personal consumption—anywhere between 58 cents and 84 cents, depending on age and type of household. The remainder went for income tax, security contributions, gifts and contributions⁷ or savings. (The shares spent on these items also varied

⁶ In addition to savings and credit, current consumption is financed by income after taxes and security contributions—usually referred to as discretionary income. In 1982, 26.2% of households 55 and over spent more than their income on consumption compared with 37.5% in 2003. The change in concepts from total expenditure to consumption and from pre-tax to discretionary income, therefore, has not yielded any substantial difference over time in their respective ratios.

⁷ Gifts were treated somewhat differently in the 1982 and 2003 surveys. The 1982 questionnaire contained a separate category for gifts, while in 2003 respondents were directed to include them under the relevant subject category

by age and type of household.) In 1982, households in the 55-to-64 group, with earnings as the major

Table 2. How the income dollar was spent by households by type and age of reference person, 1982 and 2003

Component	1982				2003			
	55 - 64	65 - 74	75 & over	Total	55 - 64	65 - 74	75 & over	Total
Unattached men:								
Mean income (\$)	34,721	24,107	20,925	27,088	32,707	27,084	27,224	29,328
Disbursement (%):								
Personal consumption	57.8	74.9	62.2	63.5	70.5	76.2	73.7	72.9
Income tax	18.1	9.5	8.9	13.5	21.6	14.9	16.1	18.2
Security	3.8	2.6	0.3	2.6	3.3	1.6	1.2	2.2
Gifts & contributions	4.5	5.3	5.4	4.9	5.8	5.6	7.1	5.5
Saving*	15.7	7.7	23.2	15.4	-1.2	1.7	1.9	0.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Unattached women:								
Mean income (\$)	22,464	19,232	16,851	19,373	28,530	22,761	21,232	23,556
Disbursement (%):								
Personal consumption	76.4	74.4	75.1	75.3	82.1	84.1	78.0	81.0
Income tax	12.6	7.3	5.2	8.4	16.5	12.3	10.3	12.8
Security	3.1	0.6	0.1	1.3	4.4	1.0	0.5	1.9
Gifts & contributions	4.2	8.5	8.4	7.1	2.4	7.0	10.0	6.8
Saving*	3.7	9.2	11.2	8.0	-5.4	-4.4	1.2	-2.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Couples only:								
Mean income (\$)	54,654	36,656	33,773	43,726	66,166	45,757	36,257	52,917
Disbursement (%):								
Personal consumption	59.3	68.9	61.6	62.9	67.1	73.7	71.5	69.7
Income tax	16.7	10.2	9.2	13.5	21.7	16.0	11.2	18.5
Security	4.0	2.6	0.3	3.0	5.0	2.7	1.0	3.7
Gifts & contributions	4.0	5.4	7.0	4.9	2.9	3.4	6.1	3.5
Saving*	16.1	12.8	21.9	15.7	3.4	4.2	10.3	4.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
All households:								
Mean income (\$)	53,119	32,603	25,574	40,465	62,849	41,428	30,055	47,909
Disbursement (%):								
Personal consumption	64.4	70.5	65.4	66.3	69.2	73.9	73.3	71.1
Income tax	16.3	10.0	8.2	13.5	20.2	15.3	12.2	17.6
Security	4.0	2.1	0.7	3.1	5.4	3.5	1.2	4.2
Gifts & contributions	3.5	5.5	6.7	4.4	2.3	4.3	7.0	3.6
Saving*	11.8	12.0	19.1	12.7	2.9	3.0	6.3	3.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
*Saving=Income less expenditure.								
Figures may not add to 100.0 due to rounding.								

source of their relatively higher incomes, used 64 cents for personal consumption, 16 cents for income tax, and 4 cents each for security and gifts and contributions, saving the remaining 12 cents; by 2003, such households were spending more on consumption (69 cents), income tax (20 cents), security and gifts and contributions (8 cents), and saving very little (3 cents). The situation was no different for non-working households in the 75-plus group. They spent 65 cents of each income dollar on personal consumption and another 8 cents on income tax in 1982, compared with 73 cents and 12 cents in 2003. Consequently, these households also saved much less of their income dollar in 2003 than in 1982—6 cents versus 19 (Table 2).

In both 1982 and 2003, unattached women in the 55-to-64 and 75-plus groups spent most of their income dollar on personal consumption (food, shelter, household operations, clothing, and the like)—much more than their male and couple counterparts. Since these women's incomes were low, they of

(furniture, toys, and so forth), except for clothing. This creates a small upward bias in personal consumption in 2003 relative to 1982.

course paid less in income tax and security contributions. Nonetheless, they spent relatively more of their income dollar on gifts and contributions and saved less. On the other hand, unattached men aged 55 to 64 spent more of their income dollar on gifts and contributions and income tax than couples.

Consumption changes by age

All types of households spent more of their income dollar on personal consumption in 2003 than in 1982. In 1982, the 55-to-64 group spent \$34,200 compared with \$16,700 for those 75 plus. By 2003, spending had reached \$43,500 and \$22,000 (Table 3A). The widening gap between working and non-working households largely reflected greater expenditures by working households—\$9,300 compared with \$5,300. As always, food, shelter and transportation dominated, accounting for between 61 and 68 cents of each consumption dollar. The ranking of these three items changed for households in the 55-to-64 group—from food, shelter, transportation in 1982 to shelter, transportation, food in 2003. However, the order did not change for those 75 plus: shelter, food, transportation (Table 3B).

The next three components of consumption in 1982 for those 55 to 64 were clothing, recreation, and household operations; in 2003, this group spent relatively more on recreation and much less on clothing. In both years, these three items accounted for another 18 to 19 cents of consumption. For households in the 75-plus group, on the other hand, the next three components of consumption in 1982 were household operations, clothing and household furnishings; by 2003, the last two were replaced by health and recreation. Expenditure on these three components took 17 to 19 cents. Overall, then, in both 1982 and 2003, just six components of consumption accounted for 80% of the total for households in the 55-to-64 group and 84% for those 75 plus.

The amount spent on personal consumption drops as households age. For instance, in 1982, mean consumption by couples in the 55-to-64 group was \$32,400 compared with \$20,800 for those 75 plus, almost 36% less; by 2003, the difference was nearly 42% as expenditures hit \$44,400 and \$25,900 for the respective groups. A similar pattern prevailed for unattached individuals. The picture was much the same in 2003, but with narrower gaps between unattached individuals and couples in the 75-plus group.

Since most women have lower incomes than men, they also consume less. In the 55-to-64 group in 1982, women had 35% less income but only 14% less consumption. But as women's incomes improved over time, their income in 2003 was only 13% less and their consumption matched men's. For unattached individuals 75 plus, on the other hand, both income and consumption ratios by sex dropped—from 81% to 78% for income and from 97% to 83% for consumption.

Despite increases in personal consumption between 1982 and 2003, the spending patterns of couples in the 55-to-64 and 75-plus groups were about the same. In both years, food, shelter and transportation accounted for nearly two-thirds of their total consumption. Both groups spent less on food in 2003 than in 1982, but more on shelter and transportation. More was also spent on recreation and health; for couples 55 to 64, the mean expenditure rose from \$1,500 to \$3,900 (157%) on recreation, and from \$1,000 to \$2,300 (116%) on health; the corresponding increases in the 75-plus group were from \$800 to \$1,000 (25%) and from \$700 to \$2,100 (219%).

The key spending patterns of unattached individuals were similar to couples. Like couples in the 55-to-64 group, unattached men and women allocated a little over 60% of their consumption to food, shelter and transportation. However, in the 75-plus group, women spent more on household operations while men spent much more on transportation. The gap between men and women on health expenditures narrowed in the 75-plus group—men spent a little over half the amount spent by women in 1982 but slightly more in 2003.

Table 3A. Mean expenditure on components of consumption incurred by households by type and age of reference person, 1982 and 2003								
(In 2003 dollars)								
Component	1982				2003			
	55 - 64	65 - 74	75 & over	Total	55 - 64	65 - 74	75 & over	Total
Unattached men:								
Food	4,319	3,817	3,322	3,847	3,363	3,506	3,305	3,379
Shelter	4,938	5,418	4,296	4,877	7,254	5,901	6,803	6,748
H'hld operation	1,022	931	820	930	1,565	1,159	1,370	1,392
H'hld furnishings/equipment	861	317	227	493	954	501	663	735
Clothing	1,066	746	399	755	920	606	343	636
Transportation	3,078	3,648	1,757	2,827	3,769	4,366	3,681	3,891
Health	664	280	197	398	755	863	1,085	899
Personal care	296	236	154	232	264	249	187	233
Recreation	853	633	497	672	1,633	1,131	1,351	1,405
Reading and printed material	203	178	111	166	193	176	182	185
Tobacco products & alcoholic beverages	1,642	1,141	608	1,159	1,327	1,228	539	1,023
Miscellaneous	1,133	700	616	837	1,019	946	526	826
Mean personal consumption*	20,077	18,046	13,005	17,196	23,068	20,648	20,059	21,385
Mean expenditure	29,262	22,240	16,073	22,910	33,102	26,631	26,694	29,178
Unattached women:								
Food	3,323	3,375	2,946	3,222	3,494	3,229	2,946	3,170
Shelter	5,336	5,072	5,186	5,183	7,790	6,769	6,490	6,906
H'hld operation	1,194	1,067	1,094	1,111	1,620	1,483	1,482	1,518
H'hld furnishings/equipment	586	553	431	523	956	754	546	713
Clothing	1,077	902	718	892	1,193	965	655	884
Transportation	2,642	1,237	632	1,437	3,857	2,260	1,153	2,172
Health	529	364	357	408	1,099	995	1,033	1,039
Personal care	443	373	364	390	541	483	421	470
Recreation	816	584	299	557	1,274	1,119	1,015	1,112
Reading and printed material	156	146	117	140	206	189	146	174
Tobacco products & alcoholic beverages	519	268	169	307	723	431	172	390
Miscellaneous	530	356	345	402	567	442	446	476
Mean personal consumption *	17,168	14,302	12,660	14,579	23,414	19,146	16,561	19,079
Mean expenditure	21,644	17,458	14,956	17,828	30,078	23,765	20,976	24,133
Couples only:								
Food	6,934	5,673	5,258	6,134	6,661	6,145	5,092	6,155
Shelter	7,288	6,124	5,756	6,552	10,185	8,006	7,287	8,833
H'hld operation	1,948	1,514	1,265	1,655	2,600	2,099	1,827	2,267
H'hld furnishings/equipment	1,655	1,252	1,096	1,395	2,091	1,439	1,051	1,650
Clothing	2,203	1,639	1,392	1,835	2,452	1,654	1,060	1,887
Transportation	5,921	4,772	3,025	4,969	9,848	6,640	4,344	7,596
Health	1,047	754	658	861	2,262	2,062	2,102	2,160
Personal care	754	603	515	652	773	675	568	697
Recreation	1,517	1,259	792	1,291	3,907	2,667	994	2,871
Reading and printed material	284	211	190	238	329	275	243	292
Tobacco products & alcoholic beverages	1,570	909	525	1,123	1,598	933	656	1,173
Miscellaneous	1,223	545	313	791	1,479	1,024	646	1,149
Mean personal consumption*	32,383	25,274	20,791	27,521	44,391	33,726	25,913	36,867
Mean expenditure	45,875	31,950	26,389	36,877	63,921	43,818	32,527	50,463
All households**:								
Food	7,405	5,278	4,133	6,011	6,747	5,394	4,120	5,655
Shelter	7,166	5,862	5,277	6,334	10,351	7,668	7,044	8,694
H'hld operation	1,824	1,377	1,141	1,532	2,612	1,957	1,692	2,178
H'hld furnishings/equipment	1,512	1,011	660	1,167	1,725	1,125	763	1,295
Clothing	2,637	1,510	1,026	1,923	2,429	1,482	851	1,734
Transportation	6,388	3,812	1,963	4,608	9,465	6,083	3,047	6,775
Health	1,026	649	513	792	1,859	1,678	1,466	1,702
Personal care	815	545	412	640	777	627	468	651
Recreation	1,801	1,094	548	1,305	3,415	2,211	1,159	2,465
Reading and printed material	276	210	152	228	314	256	205	268
Tobacco products & alcoholic beverages	1,690	830	430	1,139	1,540	1,009	495	1,108
Miscellaneous	1,409	763	465	995	1,379	953	662	1,065
Mean personal consumption*	34,208	22,985	16,725	26,810	43,490	30,610	22,025	34,041
Mean expenditure	46,858	28,705	20,698	35,309	60,995	40,188	28,148	46,219

Table 3B. How the consumption dollar was spent by households by type and age of reference person, 1982 and 2003								
Component	1982				2003			
	55 - 64	65 - 74	75 & over	Total	55 - 64	65 - 74	75 & over	Total
Unattached men:								
Food	21.5	21.1	25.5	22.4	14.6	17.0	16.5	15.8
Shelter	24.6	30.0	33.0	28.4	31.4	28.6	33.9	31.6
H'hld operation	5.1	5.2	6.3	5.4	6.8	5.6	6.8	6.5
H'hld furnishings/equipment	4.3	1.8	1.7	2.9	4.1	2.4	3.3	3.4
Clothing	5.3	4.1	3.1	4.4	4.0	2.9	1.7	3.0
Transportation	15.3	20.2	13.5	16.4	16.3	21.1	18.4	18.2
Health	3.3	1.6	1.5	2.3	3.3	4.2	5.4	4.2
Personal care	1.5	1.3	1.2	1.4	1.1	1.2	0.9	1.1
Recreation	4.2	3.5	3.8	3.9	7.1	5.5	6.7	6.6
Reading and printed material	1.0	1.0	0.9	1.0	0.8	0.9	0.9	0.9
Tobacco products & alcoholic beverages	8.2	6.3	4.7	6.7	5.8	5.9	2.7	4.8
Miscellaneous	5.6	3.9	4.7	4.9	4.4	4.6	2.6	3.9
Total consumption*	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Unattached women:								
Food	19.4	23.6	23.3	22.1	14.9	16.9	17.8	16.6
Shelter	31.1	35.5	41.0	35.6	33.3	35.4	39.2	36.2
H'hld operation	7.0	7.5	8.6	7.6	6.9	7.7	8.9	8.0
H'hld furnishings/equipment	3.4	3.9	3.4	3.6	4.1	3.9	3.3	3.7
Clothing	6.3	6.3	5.7	6.1	5.1	5.0	4.0	4.6
Transportation	15.4	8.7	5.0	9.9	16.5	11.8	7.0	11.4
Health	3.1	2.5	2.8	2.8	4.7	5.2	6.2	5.4
Personal care	2.6	2.6	2.9	2.7	2.3	2.5	2.5	2.5
Recreation	4.8	4.1	2.4	3.8	5.4	5.8	6.1	5.8
Reading and printed material	0.9	1.0	0.9	1.0	0.9	1.0	0.9	0.9
Tobacco products & alcoholic beverages	3.0	1.9	1.3	2.1	3.1	2.3	1.0	2.0
Miscellaneous	3.1	2.5	2.7	2.8	2.4	2.3	2.7	2.5
Total consumption*	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Couples only:								
Food	21.4	22.4	25.3	22.3	15.0	18.2	19.6	16.7
Shelter	22.5	24.2	27.7	23.8	22.9	23.7	28.1	24.0
H'hld operation	6.0	6.0	6.1	6.0	5.9	6.2	7.1	6.1
H'hld furnishings/equipment	5.1	5.0	5.3	5.1	4.7	4.3	4.1	4.5
Clothing	6.8	6.5	6.7	6.7	5.5	4.9	4.1	5.1
Transportation	18.3	18.9	14.5	18.1	22.2	19.7	16.8	20.6
Health	3.2	3.0	3.2	3.1	5.1	6.1	8.1	5.9
Personal care	2.3	2.4	2.5	2.4	1.7	2.0	2.2	1.9
Recreation	4.7	5.0	3.8	4.7	8.8	7.9	3.8	7.8
Reading and printed material	0.9	0.8	0.9	0.9	0.7	0.8	0.9	0.8
Tobacco products & alcoholic beverages	4.8	3.6	2.5	4.1	3.6	2.8	2.5	3.2
Miscellaneous	3.8	2.2	1.5	2.9	3.3	3.0	2.5	3.1
Total consumption*	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
All households**:								
Food	21.6	23.0	24.7	22.4	15.5	17.6	18.7	16.6
Shelter	20.9	25.5	31.6	23.6	23.8	25.1	32.0	25.5
H'hld operation	5.3	6.0	6.8	5.7	6.0	6.4	7.7	6.4
H'hld furnishings/equipment	4.4	4.4	3.9	4.4	4.0	3.7	3.5	3.8
Clothing	7.7	6.6	6.1	7.2	5.6	4.8	3.9	5.1
Transportation	18.7	16.6	11.7	17.2	21.8	19.9	13.8	19.9
Health	3.0	2.8	3.1	3.0	4.3	5.5	6.7	5.0
Personal care	2.4	2.4	2.5	2.4	1.8	2.0	2.1	1.9
Recreation	5.3	4.8	3.3	4.9	7.9	7.2	5.3	7.2
Reading and printed material	0.8	0.9	0.9	0.9	0.7	0.8	0.9	0.8
Tobacco products & alcoholic beverages	4.9	3.6	2.6	4.2	3.5	3.3	2.2	3.3
Miscellaneous	4.1	3.3	2.8	3.7	3.2	3.1	3.0	3.1
Total consumption*	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
*Includes small expenditure on education, not shown separately.								
**Includes households with children &/or relatives and of other mixes.								

Decreases occurred in some areas of spending as households aged. For example, for couples in 1982, substantial decreases were noted for tobacco and alcohol, recreation, transportation, health, and clothing. Shelter and food, on the other hand, showed the least reduction. By 2003, the components with larger reductions remained the same but those with least reduction now included health, and

reading and printed materials.⁸ Similarly, for the unattached, relatively smaller reductions were noted for shelter, food, and household operations.

Rising health expenditures

Between 1982 and 2003, household expenditures on health rose because of increased premiums for government and private health insurance, and because of higher out-of-pocket expenses for treatments and medicines not covered by insurance.⁹ Households with a reference person 55 and over spent \$7.2

Type of household and detailed expenditure on health	1982				2003			
	55 - 64	65 - 74	75+	Total	55 - 64	65 - 74	75+	Total
Unattached men:								
Amount (\$ million)	52.9	17.9	13.3	84.1	132.7	99.8	172.6	405.1
% Composition:								
Total health	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Direct cost to family	62.5	73.9	63.5	65.1	60.8	73.4	74.6	69.8
Medicinal & pharmaceutical products	21.6	28.7	23.9	23.5	27.1	33.6	31.8	30.7
Eye care goods & services	12.9	15.1	7.3	12.5	7.9	9.0	7.2	7.9
Dental services	17.7	18.4	13.0	17.1	16.0	25.0	13.4	17.1
Other health care & medical services	10.3	11.7	19.3	12.0	9.8	5.8	22.2	14.1
Health insurance premiums	37.5	26.1	36.5	34.9	39.2	26.6	25.4	30.2
Unattached women:								
Amount (\$ million)	104.1	100.0	80.7	284.9	295.4	303.3	486.2	1,085.0
% Composition:								
Total health	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Direct cost to family	65.7	83.2	77.8	75.3	69.9	76.6	81.3	76.9
Medicinal & pharmaceutical products	30.4	24.3	23.6	26.3	29.9	36.6	39.8	36.2
Eye care goods & services	12.8	17.6	18.8	16.2	10.0	9.0	8.6	9.1
Dental services	12.0	27.6	19.2	19.5	15.5	20.9	12.4	15.6
Other health care & medical services	10.5	13.8	16.3	13.3	14.4	10.1	20.5	15.9
Health insurance premiums	34.3	16.8	22.2	24.7	30.1	23.4	18.7	23.1
Couples only:								
Amount (\$ million)	422.8	303.9	103.5	830.3	1,580.8	1,091.8	689.7	3,362.3
% Composition:								
Total health	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Direct cost to family	62.2	82.4	82.0	72.1	63.5	71.0	77.8	68.9
Medicinal & pharmaceutical products	24.0	27.9	27.8	25.9	29.5	37.9	39.3	34.2
Eye care goods & services	10.9	12.7	15.4	12.2	8.3	7.6	6.9	7.8
Dental services	18.1	26.7	20.3	21.5	17.4	17.2	15.4	16.9
Other health care & medical services	9.3	14.9	18.6	12.5	8.3	8.3	16.1	9.9
Health insurance premiums	37.8	17.6	18.0	27.9	36.5	29.0	22.2	31.1
All households**:								
Amount (\$ million)	1,235.1	609.4	270.0	2,114.5	3,497.0	2,048.7	1,657.0	7,202.7
% Composition:								
Total health	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Direct cost to family	63.7	80.5	79.7	70.6	64.9	71.7	78.5	70.0
Medicinal & pharmaceutical products	23.3	27.0	24.4	24.5	28.0	37.7	38.0	33.1
Eye care goods & services	11.9	13.4	15.2	12.7	9.4	7.9	7.8	8.6
Dental services	19.3	26.0	18.8	21.2	18.2	16.9	14.1	16.9
Other health care & medical services	9.2	14.2	21.2	12.2	9.2	9.1	18.6	11.3
Health insurance premiums	36.3	19.5	20.3	29.4	35.1	28.3	21.5	30.0

* Overall mean expenditure by age and type of household is shown in Table 3A.

**Includes households with children &/or relatives and of other mixes.

⁸ Some of the reduced expenditure on food, clothing and recreation over time may be attributed to a drop in prices for these products and services. This has been brought about largely by increased competition in the retail and wholesale markets, the opening of discount outlets, and changes in tariffs and quotas on imports. Similarly, some reduction in spending on tobacco and alcohol may be due to greater knowledge of their harmful health effects.

⁹ The SHS does not collect information on the cost of treatment provided by doctors or hospitals under provincial health insurance schemes. Instead, it asks about expenses such as government or private insurance health premiums, prescription drugs, dental and eye care, and services provided by other medical professionals. See also Luffman (2005) for spending by households on prescription drugs.

billion in 2003 on health compared with \$2.1 billion in 1982. And in both years, health insurance premiums accounted for 30% of these costs.

Since supplementary medical coverage through a private insurance plan is often a benefit of employment, the proportion of households covered under such schemes declines between the 55-to-64 and 75-plus groups. For instance, for unattached women, it fell from 53% to 47% in 1982 and from 49% to 42% in 2003. Thus, not only are more households in the 75-plus group incurring more out-of-pocket health expenses, but also these direct costs constitute the lion's share of their health expenditure—for unattached women, the percentage grew from 78% in 1982 to 81% in 2003 while jumping from 64% to 75% for men (Table 4)

Besides health insurance, all households, irrespective of age, spent the most on prescribed drugs, and other medical equipment and appliances. After these two, the order of spending on dental services, eye care, and other health care and medical services varied across age groups—more in 1982 than in 2003. However, couples and unattached individuals in the 75-plus group in 2003 showed a consistent order of out-of-pocket spending on health: prescribed drugs, other medical and health care services, dental services, and eye care.

Spending patterns of households dependent on government transfers

For households in the 55-to-64 group, government transfers may include Employment Insurance benefits, workers' compensation, C/QPP disability benefits, or social assistance; for households 65 to 74 and 75 plus, such payments may also include Old Age Security, Guaranteed Income Supplement, the Spousal Allowance, veterans' pensions, or the C/QPP retirement pension. Households in the latter two age groups are more likely to derive all their income from government transfers, especially those with no work-related pension, investments, or other source of income.

In 2003, almost one-third of households in the oldest group received their entire income from government transfers compared with less than one-fifth in 1982; the corresponding proportions for the 55-to-64 group were 9% and 8%. In both years, two-thirds of these households were unattached individuals (more women than men) and one-quarter were couples.

The average income of households totally dependent on transfers in the 55-to-64 group rose from \$11,200 in 1982 to \$12,900 in 2003, while their expenditures jumped from \$11,800 to \$15,400. In the 75-plus group, on the other hand, income went from \$12,500 to \$17,000 and expenditures from \$11,900 to \$17,200 (Table 5). The higher income of the 75-plus group in 2003 can be attributed to the maturity of the C/QPP, resulting in more recipients as well as higher benefits, and to inflation-adjusted payments from other programs. In spite of such increases in income, 42% of these households spent more than their income in 2003 compared with 35% in 1982; the corresponding proportions for households in the 55-to-64 group were 62% and 53%.

Because of lower incomes, households with their entire income from government transfers paid very little in personal taxes or security contributions. Instead, they spent their income on personal consumption. Those 75 plus spent slightly more on gifts and contributions than those 55 to 64. In fact, in both 1982 and 2003, households in the 75-plus group spent, on average, more on gifts and contributions than they did on personal care, recreation, or tobacco and alcohol

Most of the consumption dollar in households dependent on transfers went for food and shelter, accounting for 52 to 57 cents in 2003, compared with 58 to 65 cents in 1982. The relative share spent on shelter grew over time as rent and home maintenance went up and food dropped. Relatively similar amounts were spent in 1982 and 2003 on transportation and household operations. The major

difference between the 55-to-64 and 75-plus groups was in spending on tobacco and alcohol and on health. The former spent more on tobacco and alcohol, the latter on health.

Component	1982				2003			
	55 - 64	65 - 74	75 & over	Total	55 - 64	65 - 74	75 & over	Total
Number of households	95,383	134,414	96,498	326,295	174,426	230,749	353,570	758,745
	\$							
Food	3,415	3,894	3,479	3,631	3,137	3,794	3,463	3,489
Shelter	3,727	4,056	3,900	3,914	5,315	5,383	5,671	5,502
H'hld operation	860	1,015	763	895	1,039	1,243	1,219	1,185
H'hld furnishings/equipment	346	486	393	418	321	634	748	615
Clothing	613	737	640	672	516	712	590	610
Transportation	852	1,317	844	1,041	1,747	2,531	1,638	1,935
Health	290	329	350	324	642	930	907	853
Personal care	264	312	277	288	232	377	367	339
Recreation	272	445	252	337	660	763	407	573
Reading and printed material	94	152	93	118	82	130	125	117
Tobacco products & alcoholic beverages	669	658	254	542	1,122	668	396	645
Miscellaneous	217	278	172	229	302	451	382	385
Total consumption	11,647	13,681	11,416	12,417	15,194	17,624	15,917	16,270
Personal tax	-78	63	-41	-9	36	363	623	409
Security	53	27	36	37	78	176	84	111
Gifts and contributions	162	652	521	470	131	419	552	415
Total expenditure	11,785	14,422	11,932	12,915	15,439	18,582	17,175	17,204
Pre-tax income	11,152	14,933	12,512	13,112	12,879	17,658	16,993	16,249
	Percentage composition of total consumption expenditure							
Food	29.3	28.5	30.5	29.2	20.6	21.5	21.8	21.4
Shelter	32.0	29.6	34.2	31.5	35.0	30.5	35.6	33.8
H'hld operation	7.4	7.4	6.7	7.2	6.8	7.1	7.7	7.3
H'hld furnishings/equipment	3.0	3.6	3.4	3.4	2.1	3.6	4.7	3.8
Clothing	5.3	5.4	5.6	5.4	3.4	4.0	3.7	3.7
Transportation	7.3	9.6	7.4	8.4	11.5	14.4	10.3	11.9
Health	2.5	2.4	3.1	2.6	4.2	5.3	5.7	5.2
Personal care	2.3	2.3	2.4	2.3	1.5	2.1	2.3	2.1
Recreation	2.3	3.3	2.2	2.7	4.3	4.3	2.6	3.5
Reading and printed material	0.8	1.1	0.8	0.9	0.5	0.7	0.8	0.7
Tobacco products & alcoholic beverages	5.7	4.8	2.2	4.4	7.4	3.8	2.5	4.0
Miscellaneous	1.9	2.0	1.5	1.8	2.0	2.6	2.4	2.4
Total consumption	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Income and consumption inequality rose between 1982 and 2003

Not only has the proportion of households receiving their entire income from government transfers grown over the last two decades, but also the distribution of income in Canada has become more unequal as the Gini coefficient of pre-tax income for all households rose from 0.346 in 1982 to 0.402 in 2003. Since income is a key determinant of consumption, income inequality may have been partly responsible for the rise in consumption inequality - as its Gini coefficient moved from 0.297 to 0.335.¹⁰ The latter may also have been affected by other factors, including demographic shifts in households, changes in spending patterns, easy access to credit, volatile interest rates, the proliferation of technological goods and services, and above all, optimism as a result of a strong economy.

For older households aged 55 and over, both income and consumption inequality changed very little,

¹⁰ Treating consumption expenditure as a measure of permanent income (Johnson et al. 2005), these results conform to the well-known concept that permanent income is distributed less unequally than total pre-tax income.

largely because income has peaked and spending has stabilized. However, the gaps in income and consumption inequality between households in the 55-and-over group and the under-55 group have substantially narrowed over the last two decades: 27 percentage points for income and 22 points for consumption.

Age of reference person (Years)	1982			2003		
	Income	Expenditure	Consumption	Income	Expenditure	Consumption
Under 55	0.299	0.279	0.253	0.378	0.345	0.313
55 - 64	0.369	0.347	0.311	0.403	0.368	0.329
65 - 74	0.381	0.351	0.296	0.382	0.362	0.304
75+	0.397	0.347	0.282	0.349	0.335	0.284
Total	0.346	0.330	0.297	0.402	0.373	0.335
Sub-total: 55+	0.415	0.391	0.338	0.422	0.399	0.348
Ratio: 55+/under 55	1.386	1.405	1.337	1.118	1.157	1.113

As households move from working to not working, not only the means of their incomes and spending decreased (Table 2) but also their respective inequalities, as evidenced by sliding Gini coefficients for both points of time—with one noticeable exception. In 1982, income inequality among households rose as they moved from the 55-to-64 to the 75-and-over group, largely because senior households at that time had little access to public or private pensions. By 2003, more were receiving government tax credits not available in 1982, along with income from the Canada or Quebec Pension Plan, annuities from privately held RRSPs or RRIFs, and work-related pension plans. The result was reduced inequality. In 2003, the non-working households in the 75-and-over group had 14% less income and consumption inequality than those in the 55-to-64 group.

Also, among households in the 55-and-over group, those aged 55 to 64 had the highest consumption inequality. During this pre-retirement stage, children are gone from home, and income and savings are high. Home equity is also high, enabling easy access to credit. The result is that households in this age group are encouraged to spend more on consumer items. During retirement, on the other hand, spending patterns become more consistent, and the issue of spending inequality loses much of its significance, as evidenced by their low Gini coefficient.

Which spending components are responsible for consumption inequality among households 55 and over, and did these components change between 1982 and 2003? A decomposition of Gini coefficient shows that in 1982, spending on transportation accounted for 20.8% of total inequality followed by food (20.1%) and shelter (18.9%). As the spending patterns shifted by 2003, so did the ranking of sources of inequality: spending on shelter contributed the most (24.2%) followed by transportation (21.2%) and food (15.8%). These three components alone were responsible for 60% of the total consumption inequality in both 1982 and 2003. Put another way, the major sources of consumption inequality for households 55+ didn't change over time (irrespective of their rankings). The relative share of consumption inequality attributed to spending on health moved up slightly (from 3% to 4.5%¹¹),

¹¹ The decomposition of the Gini coefficient by age and type of household are not discussed in this paper because of length. Some caution should be used when considering the change in the ranking of spending on shelter contributing to consumption inequality since this component is not strictly comparable at the two points in time. For instance, it

despite an increase of 114.9% in mean spending.

The largest share of consumption inequality for transportation in 1982 and shelter in 2003 can be attributed not only to their varying rates of ownership¹², but also among owners, to varying spending associated with purchase or maintenance of vehicles and homes. For instance, the maintenance of an owned vehicle would include spending on discharging of a loan on a car/vehicle, insurance, fuel, and repairs, whereas the maintenance of an owned home would include mortgage liability, property taxes, utilities, and repairs and renovations.

The social well-being based on income and consumption has improved the most for the working unattached women¹³

The social well-being based on income, expenditure and consumption improved for all households 55 and over between 1982 and 2003. However, unattached women have been the major beneficiaries largely on account of the improvement in their incomes which, in turn, can be attributed to the rising rate of employment and earnings for those working (as their proportion with earnings rose from 45.5% to 50.5% whereas that for men fell from 61.8% to 52.7%). On the other hand, for those non-working, improved incomes may have resulted in from their entitlements to benefits as beneficiaries of different pensions left behind by their deceased spouses. Improved incomes, in turn, have been instrumental in not only upgrading women's standard of consumption but also giving them more control on their spending patterns.

The gap by gender in social well-being of working households has almost disappeared over the last two decades. In 1982, women not only had lower income than men (33.5%), they spent less as well (16.2%). By 2003, both their income and consumption had exceeded that of men (by 8.6% and 13.8% respectively). For the non-working households, on the other hand, unattached men remained better off than women, indicating that the gap in income and consumption based well-being by gender still prevailed among the elderly. Some of this gender gap may be explained by differences in their lifestyles and sources of income.¹⁴ In fact, men 75+ also did well compared to their counterparts living as couples as the gap in their incomes reduced by 12 percentage points whereas in consumption by 21 percentage points (Table 7).

A decomposition of the change in Sen's welfare index further shows that almost all of the improvement in income and consumption based welfare of households was attributed to the positive change in means over time rather than the change in Gini coefficients (reflecting the concentration effect). And the former resulted as households gained incomes and spent more in 2003 than in 1982.

included both mortgage and interest in 2003, but only interest in 1982 (Statistics Canada 2000). This conceptual change should not affect the overall findings in this paper since it focuses on households at a stage when the majority would be mortgage-free homeowners. See (Podder 1993) for the method used to disaggregate the Gini coefficient by factor components.

¹² For example, between 1982 and 2003, the proportion owing a car/vehicle rose from 79.7% to 83.1% for working and from 41.2% to 63.0% for non-working households. Also see Table 1 about their respective rates of home-ownership.

¹³ The change over time in the social well-being of households by type is studied using Sen's index (Pendakur 1998; Mukhapadhyay 2001; and Johnson et al. 2005). This index is defined as $W=M(1-G)$, where W is the welfare index, M , the mean of a variable, and G , the Gini coefficient pertaining to that variable. Each variable (V) is first transformed into an equivalent scale by using V/\sqrt{n} , where n is the number of persons in a household.. Put simply, this index compares means of variables adjusted by their respective Gini coefficients.

¹⁴ Since women usually earn less than men, they are less likely to be covered by an employer-sponsored pension plan or to have RRSP savings; as a result, their sources of income during retirement become rather limited.

Table 7. Sen's Index of welfare in respect to income, expenditure and consumption of households by type and age of reference person, 1982 and 2003								
Type of family and component	1982				2003			
	55 - 64	65 - 74	75+	Total 55+	55 - 64	65 - 74	75+	Total 55+
Income:								
Unattached men	20,565	15,050	12,655	15,603	16,226	17,989	17,418	16,905
Unattached women	13,669	13,241	11,513	12,664	17,624	15,897	14,845	15,627
Couples only	26,372	17,210	15,422	19,831	29,686	21,510	18,491	23,644
All households	23,126	15,904	13,317	17,882	26,143	20,096	16,884	21,193
Expenditure:								
Unattached men	18,482	14,409	10,684	14,154	17,594	18,314	17,647	17,626
Unattached women	13,809	12,163	10,719	11,975	19,650	16,331	14,585	16,039
Couples only	23,226	15,710	12,883	17,633	30,274	21,320	16,645	23,319
All households	21,310	14,686	11,703	16,336	26,959	20,119	16,122	21,290
Consumption:								
Unattached men	14,327	13,055	9,598	12,085	14,321	15,389	14,623	14,587
Unattached women	12,006	10,755	9,655	10,634	16,293	14,432	12,681	13,860
Couples only	17,412	13,732	11,474	14,568	22,540	17,829	13,987	18,580
All households	16,613	12,871	10,440	13,672	20,598	16,819	13,691	17,176
Ratios by type of household (%)								
Income:								
Unattached women/men	66.5	88.0	91.0	81.2	108.6	88.4	85.2	92.4
Unattached women/couples	51.8	76.9	74.6	63.9	59.4	73.9	80.3	66.1
Unattached men/couples	78.0	87.4	82.1	78.7	54.7	83.6	94.2	71.5
Expenditure:								
Unattached women/men	74.7	84.4	100.3	84.6	111.7	89.2	82.6	91.0
Unattached women/couples	59.5	77.4	83.2	67.9	64.9	76.6	87.6	68.8
Unattached men/couples	79.6	91.7	82.9	80.3	58.1	85.9	106.0	75.6
Consumption:								
Unattached women/men	83.8	82.4	100.6	88.0	113.8	93.8	86.7	95.0
Unattached women/couples	69.0	78.3	84.1	73.0	72.3	80.9	90.7	74.6
Unattached men/couples	82.3	95.1	83.6	83.0	63.5	86.3	104.6	78.5

Data also showed that households with heads aged 55 and over, representing 31.7% of all households in 1982, accounted for 23.8% of total household income and 22.6% of spending; by 2003, they represented 35.1% of households and accounted for 28.1% of income and 28.0% of spending. So as Canadian households are aging, their spending power is also increasing due to their rising levels of income.

Conclusion

As households age, not only does their income drop but their spending patterns also change. In addition, they tend to become smaller, which may necessitate downsizing or moving to rental accommodation. The loss of earnings as the major income source means less personal income tax to pay and almost no contributions for security. This lowers expenditures. On the other hand, the proportion of spending on personal consumption as well as gifts and contributions tends to increase. Changes in spending patterns also reflect altered lifestyles.

All households 55 and over were spending more on personal consumption, income tax and security in 2003 than in 1982. As a result, saving fell from 13% of income in 1982 to only 4% in 2003. Largely because of their higher incomes, couples fared better than unattached individuals.

The key components of household consumption were food, shelter, and transportation, together accounting for 61 to 68 cents of the consumption dollar. The ranking of these components changed for

the 55-to-64 group: from food, shelter and transportation in 1982 to shelter, transportation and food in 2003. For those 75 plus, on the other hand, the ranking remained unchanged: shelter, food, and transportation. Households in this group were also spending more out-of-pocket on health in 2003 than in 1982; expenses incurred were for prescribed drugs, other medical and health care services, dental services, and eye care (ranked by relative share of the health dollar).¹⁵

The proportion of households receiving their entire income from government transfers increased over the 1982-to-2003 period. Nearly two-thirds of these households were unattached individuals—more women than men. Most of their consumption dollar was spent on the two essentials of food and shelter: 52 to 57 cents in 2003 compared with 58 to 65 cents in 1982. The major difference over time in spending of these households by age was that those 55 to 64 were spending more on tobacco and alcohol whereas those 75 and over spent more on health.

Irrespective of the type of household, income inequality is greater than consumption inequality. Although both inequalities grew over the last two decades, they tend to decline as households age. Spending on transportation was the major source of consumption inequality in 1982 but was surpassed by shelter in 2003.

The social well-being based on income and consumption improved for all households 55 and over. However, unattached women benefited the most among the working whereas men among the non-working.

Increasing spending on shelter, transportation, and health has implications for the well-being of older households. Especially for those with low or fixed incomes; for instance, as the value (in current dollars) of an owned-home has soared from \$67,239 in 1982 to \$168,172 by 2001, and exceeding \$200,000 in 2005, the burden of property tax has been rising along with the cost of utilities. Similarly, the rising costs of owning/leasing a vehicle as well as of fuel are pushing up the spending on transportation. And as the life expectancy is rising, households are bound to spend more on health care needs and prescription drugs. All of this implies that households would have to prioritize their spending or experience substitution effects, not by choice, but enforced by market and other forces.

¹⁵ In a study examining the spending patterns of households in the United States over the 1981-to-2001 period, Johnson et al. (2005) found that spending on shelter, vehicles and medical needs has increased as a share of total consumption expenditure. A detailed comparative study of the shift in spending patterns of households in Canada and the United States over the last two decades is currently underway. Findings are scheduled to be released by Statistics Canada in early fall of 2006.

References

- Campbell, J.Y. and J. Cocco. 2005. *How do house prices affect consumption? Evidence from micro data*. National Bureau of Economic Research, Working Paper no. 11534, Cambridge, Massachusetts.
- Chawla, R.K. 2006. "Shifts in spending patterns of older Canadians." *Perspectives on Labour and Income* (Statistics Canada, catalogue no. 75-001-XPE) 18, no. 1 (spring): 19-30.
- Chawla, R.K. and H. Pold. 2003. "Family wealth across the generations." *Perspectives on Labour and Income* (Statistics Canada, catalogue no. 75-001-XPE) 15, no. 4 (winter): 5-15.
- Chawla, R.K. and T. Wannell. 2005. "Spenders and savers." *Perspectives on Labour and Income* (Statistics Canada, catalogue no. 75-001-XPE) 17, no. 2 (summer): 7-15.
- Fan, J.X., D.L. Sharpe and G.S. Hong. 2003. "Health care and prescription drug spending by seniors." *Monthly Labor Review*, March issue, pp. 16-26.
- Gower, D. 1998. "Income transition upon retirement." *Perspectives on Labour and Income* (Statistics Canada, catalogue no. 75-001-XPE) 10, no. 4 (winter): 18-23.
- Harchaoui, T.M. and F. Tarkhani. 2004. "Shifts in consumer spending." *Perspectives on Labour and Income* (Statistics Canada, catalogue no. 75-001-XPE) 16, no. 3 (autumn): 19-23.
- Hurd, M.D. and S. Rohwedder. 2006. *Some answers to the retirement-consumption puzzle*. National Bureau of Economic Research, Working paper no. 12057, Cambridge, Massachusetts.
- Johnson, D.S., T.M. Smeeding and B.B. Torrey. 2005. "Economic inequality through the prisms of income and consumption." *Monthly Labor Review*, April issue, pp. 11-24.
- Krueger, D. and F. Perri. 2002. *Does income inequality lead to consumption inequality? Evidence and theory*. National Bureau of Economic Research, Working Paper no. 9202, Cambridge, Massachusetts.
- Luffman, J. 2005. "Out-of-pocket spending on prescription drugs." *Perspectives on Labour and Income* (Statistics Canada, catalogue no. 75-001-XPE) 17, no. 4 (winter): 5-13.
- Meyer, B.D. and J.X. Sullivan 2003. "Measuring the well-being of the poor using income and consumption." *The Journal of Human Resources*, 38, Supplement, pp: 1180-1220.
- Mukhapadhyay, P. 2001. *The trend of welfare disparity among subgroups of population in Australia, 1983-84 to 1993-94*. Working Paper no. 0115, Department of Economics, National University of Singapore, Singapore.
- Myles, J. 2000. "Incomes of seniors." *Perspectives on Labour and Income* (Statistics Canada, catalogue no. 75-001-XPE) 12, no. 4 (winter): 23-31.
- Paulin, G.D. 2000. "Expenditure patterns of older Americans, 1984-97." *Monthly Labor Review*, May issue, pp: 3-28.

- Paulin, G.D. and A.L. Duly. 2002. "Planning ahead: consumer expenditure patterns in retirement." *Monthly Labor Review*, July issue, pp: 38-58q.
- Pendakur, K. 1998. "Changes in Canadian family income and family consumption inequality between 1978 and 1992." *Review of Income and Wealth* 44, no. 2 (June): 259-283.
- Podder, N. 1993. "The disaggregation of the Gini coefficient by factor components and its applications to Australia." *Review of Income and Wealth* 39, no. 1 (March): 51-61.
- Sauvé, R. 2005. *The Current State of Canadian Family Finances – 2004 Report*. Ottawa: The Vanier Institute of the Family.
- Snider, Bradley. 2005. *Constant Dollar Adjustment of Expenditure Data from the Survey of Household Spending*. Statistics Canada, catalogue no. 62F0026MIE2005005. Ottawa.
- Statistics Canada. 1984. *Family Expenditure in Canada, 1982*. Catalogue no. 62-555-XPB. Ottawa.
- . 2000. *Note to Former Users of Data from the Family Expenditure Survey*. Catalogue no. 62F0026MIE-00002. Ottawa.
- . 2005. *Spending patterns in Canada, 2003*. Catalogue no. 62-202-XIE. Ottawa.
- . 2004. *User Guide for the Survey of Household Spending, 2003*, Catalogue no. 62F0026MIE - no. 003, Ottawa.
- Williams, C. 2003. "Finances in the golden years." *Perspectives on Labour and Income* (Statistics Canada, catalogue no. 75-001-XPE) 15, no. 4 (winter): 17-25.

Appendix – Data source and definitions

The analysis is based on the 1982 **Family Expenditure Survey** (FAMEX) conducted in February-March 1983 and the 2003 **Survey of Household Spending** (SHS) done in January-March 2004. Since the surveys were taken 20 years apart, some changes in spending patterns could be attributed to changes in survey concepts, content, and methods. Both surveys were conducted by personal interview, and used a multi-stage stratified clustered sample drawn from the Labour Force Survey frame. The population in institutions such as nursing homes, hospitals and penitentiaries were excluded as well as those living in the territories and on Indian reserves. However, some key differences remain. First, FAMEX, a periodic survey until 1996, asked 641 questions compared with 425 in the SHS, an annual survey since 1997. Also, the methods used to derive population estimates from the respective samples were different, and the SHS used much more automated systems. For more details on these issues, see Statistics Canada (1984, 2000 and 2005) in the references.

The surveys collected data on expenditures and income from all private households in the 10 provinces. The household spending unit is defined as a group of persons dependent on a common or pooled income for major expenses and living in the same dwelling, or one financially independent individual living alone. Since the composition of a household may vary over a year, the use of part-year and full-year households would have distorted some of the comparisons. Hence, the analysis is restricted to full-year households and their composition and dwelling characteristics as of December 31 linked to details on expenditures incurred and income received during the calendar years 1982 and 2003. The analysis is based on households with the reference person 55 or older—3,455 for 1982 and 5,935 for 2003.

Household: A person or group of persons occupying one dwelling unit. The number of households, therefore, equals the number of occupied dwellings. A full-year household has at least one full-year member; a part-year household is composed entirely of part-year members.

Head/reference person: Despite some differences, the two concepts are used here synonymously. The 1982 data are classified by age of the head of household and the 2003 data by age of the reference person. The husband was treated as the head in families consisting of married couples with or without children, as was the parent in lone-parent families, and normally the eldest in all other families. On the other hand, the reference person was chosen by the household member as the person mainly responsible for the financial maintenance of the household. Also, this person must have been a member of the household on December 31 of the reference year. The head/reference person can be either male or female.

Tenure: Households are classified by tenure (homeownership status) into three groups: renters, homeowners without a mortgage, and homeowners with a mortgage.

Expenditure on shelter: Data on this component are not comparable. In 1982, they included mortgage interest on a home and vacation home whereas the principal was included under ‘net changes in assets and debts’. In 2003, this component included information on regular mortgage payments (principal and interest).

Pre-tax household income: Sum of incomes before taxes and other deductions received during the reference calendar year by all members of the household. Sources include wages and salaries, net income from self-employment, rental and investment income, government transfers (EI benefits, Child Tax Benefits, GST credits, provincial tax credits, social assistance, OAS, GIS, C/QPP benefits), private

and employer pension plans, scholarships, alimony, child support payments, and so forth. Income in kind, windfall gains, and capital gains and losses are excluded.

Expenditures collected: With some minor exceptions, the surveys include spending on all goods and services received during the reference calendar year. All expenses attributable to an owned business are excluded. On the other hand, taxes such as GST, provincial sales tax, duties, customs and excise on all goods and services purchased are included in expenditures.

Total expenditure: Sum of expenditure on current consumption of goods and services, federal and provincial income tax paid, payments pertaining to security, and gifts and contributions made. Contributions to registered retirement savings plans are not treated as a component of security.

Current consumption (also referred to as **total consumer spending**): Includes expenditure on broad components: food, shelter, household operation, household furnishings and equipment, clothing, transportation, health, personal care, recreation, reading material and other printed matter, education, tobacco products and alcoholic beverages, and miscellaneous (including union dues and games of chance). For a detailed breakdown of components, see Statistics Canada (2005) in the references.

Constant dollars: To remove the effect of inflation or rising prices on consumption, all money figures are in 2003 dollars. While the prices of all 1982 goods and services may not have moved up at the same pace as the all-items CPI, the use of one conversion factor simplifies the analysis. Another advantage of using one such conversion factor is that it preserves the rank order and budget percentage of spending items (Snider 2005).

Average expenditure by item: Unless stated otherwise, overall averages are used. The overall average is obtained by dividing the aggregate amount of an item by total households.