Citizenship and Immigration Canada
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Elderly Immigrants in Canada: Income Sources and Self-Sufficiency
SUMMARY

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Introduction

In previous analysis of the immigrant population, elderly immigrants arose as a group with a high prevalence of low income individuals. It remained unclear whether these immigrants landed in Canada in an older age group or whether they arrived at a younger age and became part of the elderly group years later. The methodology used in this paper will allow this question to be addressed. Throughout this analysis the elderly population is defined as those aged 60 years or older in a given tax year. The elderly immigrant population is divided into three groups: **long-term elders** who landed in Canada aged 40-49 years, **short-term elders** who landed aged 50-59 years, and **immediate elders** who landed aged 60 years or older.

Using data from the longitudinal Immigrant Database (IMDB) this paper builds on two aspects of previous research in this area.[1] First, this paper investigates the demographic characteristics of the three groups of elderly in an attempt to highlight differences that may affect income. The second part of this analysis takes a more in-depth look at the income sources of elderly immigrants in Canada. Generally speaking, individuals with low income are often less self-sufficient and, as a result, may rely more heavily on social transfers. Labour market and retirement income are further disaggregated here to allow for a detailed analysis of reliance on specific income sources, with particular attention given to reliance on social transfers.

Data & Definitions

There are two general types of income investigated in this analysis. The first is referred to as market income, which represents income available to the working age population. Market income includes income from employment earnings, self-employment earnings, investment, employment insurance, and provincial supplements which include social assistance.[2]

The second income type is referred to as retirement income, which represents income available exclusively to the elderly. Retirement income includes income from C/QPP[3], OAS[4], the GIS/Allowance[5], RRSPs, and private pension plans.[6]

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[1] Dempsey, C. (2004) “Elderly Immigrants in Canada: Income Sources and Composition”. *Horizons*, Policy Research Initiative, Vol.2, No.7. < http://policyresearch.gc.ca/page.asp?pagenm=v7n2_art_10>

[2] Income from social assistance is reported on the Provincial Supplement line of the tax form. The total of this line may include other provincial supplements and, as a result, social assistance income cannot be separated out. An example of such a supplement is income from the Guaranteed Annual Income System available to residents of Ontario.

[3]**C/QPP** is a contributory pension that is related to an individual’s lifetime earnings. Although there are no special provisions for immigrants, their benefits will be directly related to the length of time they have worked in Canada. To qualify an individual must have made a minimum of one valid contribution to the Plan and be at least 65 years of age. It is possible to qualify for a reduced pension between the ages of 60-64 if a person stops working or earns less than the current monthly maximum C/QPP payment.

[4]**OAS** is a non-contributory pension that is related to an individual’s years of residence in Canada. It is available to Canadian Citizens, permanent residents (landed immigrants), and individuals with a Minister’s permit who are 65 years of age or older and have a minimum of 10 years of residence in Canada after reaching age 18. A full OAS pension is only available to those who have lived in Canada for 40 years or longer after reaching the age 18. A person who cannot meet the requirements for the full OAS pension may qualify for a partial pension. A partial pension is earned at the rate of 1/40th of the full monthly pension for each year an individual has lived in Canada

The population investigated in this paper is taken from the IMDB[7]. The IMDB combines administrative records on immigration with taxation information to form a comprehensive source of data on the labour market experiences of the landed immigrant population. Currently, the IMDB covers the period 1980-2000, providing data on approximately 2.5 million immigrants in Canada. To be captured in this sample an individual must have filed a tax return at least once during the period 1980-2000. As noted earlier, for this paper, the elderly population is defined as immigrant taxfilers aged 60 years or older in a given tax year. As mentioned earlier, the elderly population is divided into three groups: long-term elders who landed in Canada aged 40-49 years, short-term elders who landed aged 50-59 years, and immediate elders who landed aged 60 years or older.

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after reaching 18. Although citizenship and/or legal residency status is a requirement for OAS eligibility, in some instances time spent in Canada on a temporary basis prior to landing can factor into an applicant's residence history. As a result, an immigrant with less than ten years since landing can potentially be eligible for partial OAS benefits. For further details see Human Resource and Development Canada's information sheet, "How to Apply for the Old Age Security Pension, Allowance and Allowance for the Survivor" available at http://www.retireware.com/pdf/isp3503e.pdf

[5]**GIS** is another non-contributory pension and is available to residents of Canada who receive a full or partial OAS pension. GIS benefits may begin in the same month as OAS benefits. To qualify for GIS a person must be in receipt of an OAS pension and have an annual income not exceeding a specified amount. Sponsored immigrants from countries with which Canada has agreements are not eligible for GIS during their sponsorship period (up to a maximum of 10 years) unless they have resided in Canada for an aggregate of ten years after reaching 18 years of age. **The Allowance** is a non-contributory pension available to the spouse, common-law partner, or survivor of a pensioner receiving OAS and/or GIS. Canadian citizens or permanent residents between the ages of 60 and 64 who have lived in Canada for at least 10 years are eligible to receive the Allowance. To qualify, the combined annual income of the couple, or the annual income of the survivor must not exceed the specified limits. Allowance stops when the recipient reaches age 65 and becomes eligible for OAS. Sponsored immigrants wishing to apply for the Allowance face the same eligibility requirements as those applying for GIS.

[6] In addition to these retirement sources, the Guaranteed Annual Income System (GAINS) is available to residents of Ontario 65 years of age or older. More information on GAINS can be found on the Ontario Ministry of Finance's website http://www.trd.fin.gov.on.ca. Similar programs may also exist in other provinces.

[7] The IMDB is managed by Statistics Canada on behalf of a Federal-Provincial Consortium led by Citizenship and Immigration Canada.

Summary of Major Findings

- ***Parents and Grandparents account for the largest share of the short-term and immediate elderly populations.***
  In tax year 2000 Parents and Grandparents accounted for 20 percent of the long-term elderly population. Skilled Principal Applicants accounted for a slightly higher share equal to approximately 27 percent and Refugees represented 17 percent.

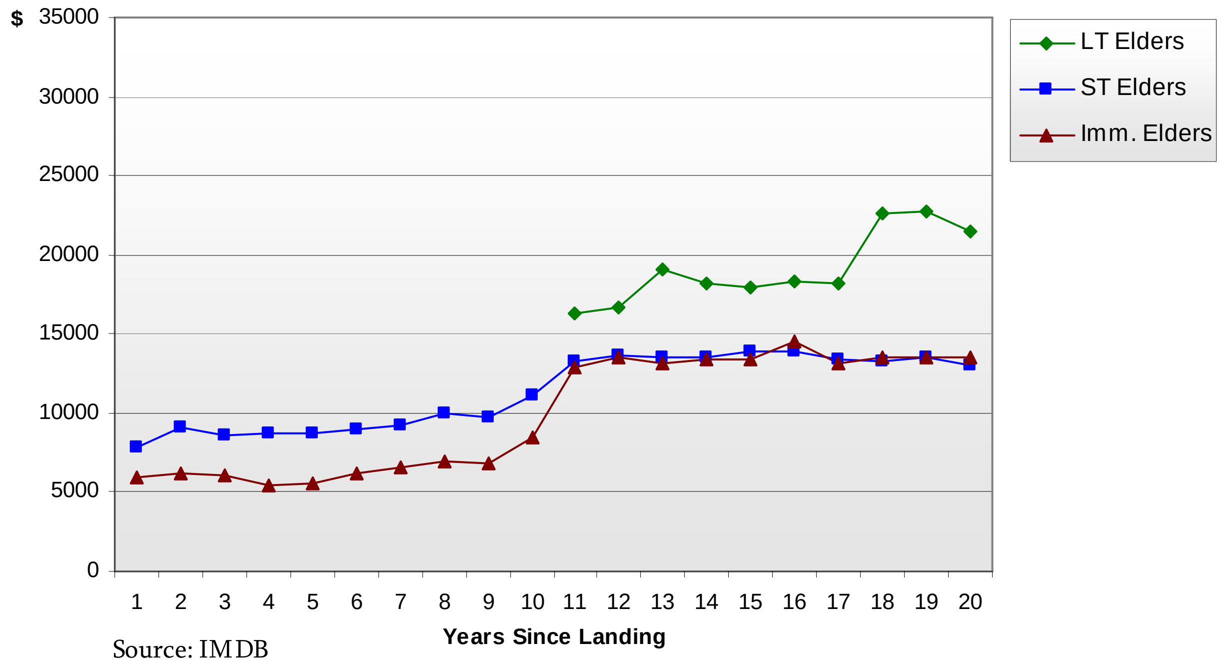
  For the elderly populations who were older at time of landing the share of Skilled Principal Applicants and Refugees is markedly lower while the share of Parents and Grandparents is higher. Parents and Grandparents accounted for over 60 percent of the short-term elderly population and 79 percent of the immediate elderly population.

- ***There is a negative relationship between educational attainment and age at landing.***
  On average, 61 percent of long-term elders had less than a high school education (0-12 years of schooling) at the time of landing. For short-term and immediate elders the shares were 74 and 79 percent, respectively.

  On the other end of the spectrum, an average of 13 percent of long-term elders held a university degree. For short-term and immediate elders the shares were 9.8 percent and 8.4 percent, respectively.

- ***Age at landing affects income later in life.***
  Figure 1 displays the average annual income for each elderly group in tax year 2000. There is evidence of a negative relationship between age at landing and annual income.

Figure 1: Average Real Annual Income for Elderly Immigrants in Tax Year 2000, by Elderly Subgroup



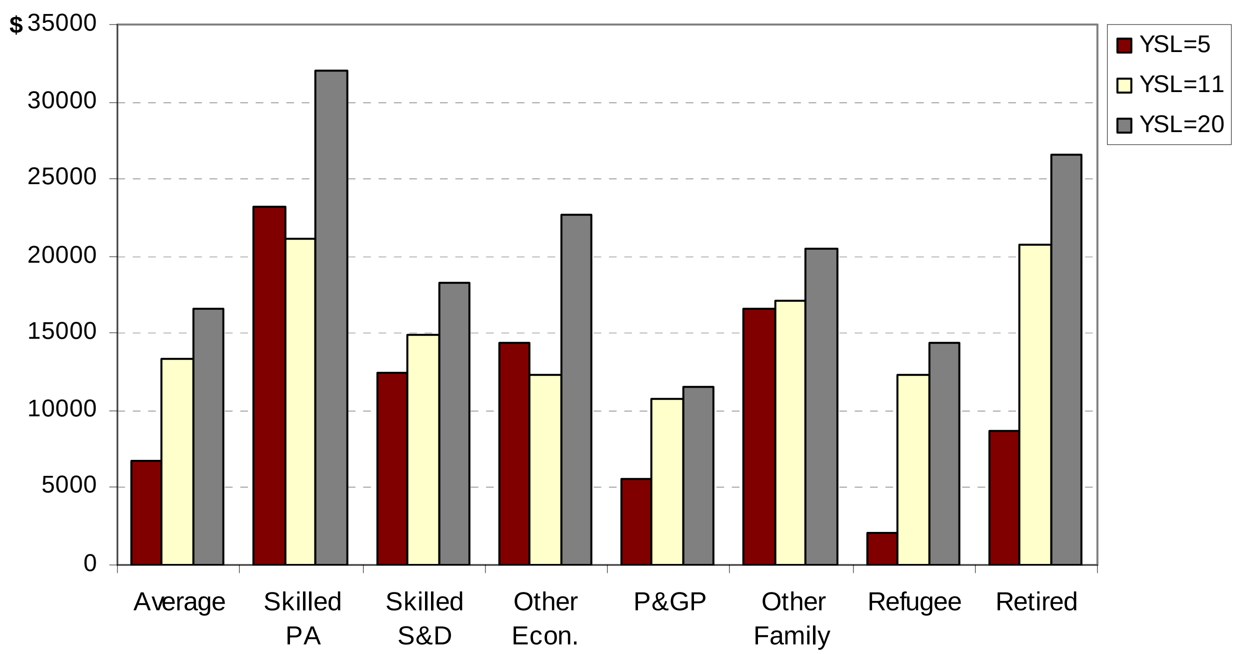
Source: IMDB

Long-term elders reported the highest annual incomes of all three elderly groups. Not unrelated to this, long-term elders had the highest incidence of private market income and the lowest incidence of public market income throughout the entire observation period. Elderly immigrants in this group also had the lowest incidence of income from non-contributory retirement sources.

Short-term elders and **immediate elders** had very similar income situations, especially following the 10-year mark; however, an age at landing effect was still apparent. Short-term elders had a higher incidence of employment earnings and a lower incidence of provincial supplements prior to the 10-year mark. They also reported a higher annual income than immediate elders in the first 10 years after landing. At the 10-year mark both groups began a noticeable transition from market income to retirement income. Incidence of private market income fell while the incidence of non-contributory retirement income rose dramatically. Although this transition to retirement income occurred for both groups, it was more gradual for short-term elders.

- ***Immigrant category affects income later in life.***
  Figure 2 presents, for tax year 2000, the annual income reported by elderly immigrants in different categories at 5, 11, and 20 years after landing. It is clear that differences in annual income exist for elders in various immigrant categories. Note that Figure 3 groups all elderly immigrants within an immigrant category together. It does not disaggregate these populations by age at landing.

Figure 2: Average Real Annual Income for Elderly Immigrants in Tax Year 2000, by Immigrant Category



Skilled Principal Applicants (SPAs) relied more heavily on private market income throughout the first twenty years after landing. They had the highest incidence of employment earnings and an incidence of provincial supplements that was well below the overall average. SPAs reported the highest annual income and were less reliant on income from non-contributory retirement sources.

Skilled Spouses and Dependents (SSDs) also had a higher than average incidence of employment earnings and a very low incidence of provincial supplements throughout the period. However, the average employment earnings reported were not as high as those observed for SPAs. SSDs also had a lower annual income but it was still higher than the average for all elderly immigrants. With respect to retirement income, elders in this category had the lowest incidence of OAS and the second lowest incidence of GIS/Allowance.

Other Economic immigrants, similar to the skilled economic categories, had a higher incidence of private market income and a lower incidence of provincial supplements than was observed on average. However, elders in this category did not appear to rely as much on employment earnings. Instead, Other Economic immigrants had the second highest incidence of investment income. They also reported annual income comparable to that of SSDs. Elderly immigrants in this category had a higher incidence of OAS than those in the skilled economic categories but it remained lower than the overall average. Although the incidence of OAS was higher, this was not the case for GIS/Allowance. Other Economic immigrants had the lowest incidence of GIS/Allowance of all immigrant categories.

Parents and Grandparents (PGPs) had a relatively low incidence of employment earnings and of investment income and high incidence of provincial supplements, especially following the 10-year mark. Elderly immigrants in this category also reported the second lowest annual income of all categories prior to the 10-year mark and the lowest annual income following the 10-year mark. PGPs also had the highest incidence of OAS and GIS/Allowance following the 10-year mark.

Other Family immigrants had a slightly higher incidence of employment earnings and of investment income than was seen for all elderly. They also had a below average incidence of provincial supplements. The employment earnings reported by the elderly in this category were comparable to that of Other Economic Immigrants; however, the annual income reported was higher. In fact, the annual income reported by elders in this category was the third highest of all categories. Other Family immigrants appeared to draw additional income from private pensions. They had the second highest incidence of income from this source. With respect to non-contributory retirement income, Other Family immigrants had below average incidence of OAS and GIS/Allowance.

Refugees had on average a very low incidence of employment earnings and the lowest incidence of investment income. They also had the highest incidence of provincial supplements. Elderly refugees had the lowest incidence of private pension income and reported the second lowest annual income. Although the incidence of OAS was slightly below average for elderly Refugees, the incidence of GIS/Allowance was the second highest of all categories.

Retired immigrants, not surprisingly, had the lowest incidence of employment earnings and the highest incidence of investment income. These immigrants had the highest incidence of income from private pensions as well and the lowest incidence of provincial supplements.

The annual income reported by Retired immigrants was second only to SPAs. Even with a relatively high annual income, Retired immigrants had the second highest incidence of OAS. However, the incidence of GIS/Allowance for these immigrants was well below average.

- ***Working beyond age 60 leads to higher annual incomes and less social transfers in later years.***
  Skilled Principal Applicants, for example, had the highest incidence of employment earnings and reported the highest average employment earnings of all immigrant categories. Nearly half of all Skilled Principal Applicants over the age of 60 continued to report employment earnings 20 years after landing and this share was even higher for long-term elders in this category.

  The strong labour market activity seen for SPAs after reaching 60 years of age had obvious impacts on annual income and on the incidence of non-contributory retirement income for elders in this category. Elderly immigrants in this category had the highest annual income of all immigrant categories, reporting annual incomes well above the average throughout the entire period.

  Given their relatively high annual incomes it was not surprising that elderly SPAs had a lower incidence of OAS and GIS/Allowance than the other immigrant categories.

- ***Weak labour market involvement leads to lower annual income and more social transfers later in life.***
  Parents and Grandparents, for example, had the lowest incidence of employment earnings after the 10-year mark and reported the lowest employment earnings of all immigrant categories. Ten years after landing only 10 percent of elderly Parents and Grandparents reported employment earnings and this share continued to fall as years since landing increased.

  Elderly Parents and Grandparents also reported the lowest annual income of all immigrant categories from the tenth year forward. The weaker labour market attachment resulted in a lower annual income and a much higher incidence of income from non-contributory retirement sources. As the incidence of employment earnings fell to 10 percent at the 10-year mark, the share of Parents and Grandparents reporting income from OAS and GIS/Allowance increased dramatically.

- ***A longer period of labour market activity also affects contributory retirement income.***
  Skilled Principal Applicants in the long-term elderly group had a lower than average incidence of C/QPP benefits. The lower incidence and average amounts of C/QPP were the result of long-term elders working past the age of 60 and deferring C/QPP benefits. However, it is expected that as late entrants, with more credits, enter into the plan the incidence and average benefits will increase. In fact, the positive relationship between average benefits and years since landing provides some evidence of this already occurring by the 20-year mark.

- ***Jump in annual income seen at the 10-year mark for short-term and immediate elderly.***
  One explanation for the sudden increase in income seen at the 10-year mark is related to the category composition of these elderly subgroups. Recall that Parents and Grandparents make up 60 and 79 percent of the short-term and immediate elderly groups, respectively. The jump in income at the 10-year mark coincides with a dramatic spike in the incidence of OAS, GIS/Allowance, and Provincial Supplements for Parents and Grandparents. It appears that

the amount of social transfers that became available to elderly Parents and Grandparents who have been in Canada for at least ten years is great enough to compensate for the decrease in private market income and still increase average annual income for all short-term and immediate elders.

- ***Strategies for sustaining income levels after reaching age 60.***
  It is clear that most elderly immigrants report income from more than one source at any given point in time. It also appears that for some immigrant categories certain sources of retirement income begin to replace employment income once an immigrant has satisfied the age and/or residency requirements necessary to become eligible for non-contributory retirement income. Further investigation is required to distinguish between primary, complementary, and supplementary sources of income. Simply adding up the average amounts of income from all available sources will not provide an accurate measure of annual income. There are several combinations of income sources available to elderly immigrants and these combinations are expected to change from one individual to the next and over time. Additional research is required to understand the various income strategies employed by elderly immigrants to sustain their income levels through retirement.

- ***How are Canadian-born elders faring?***
  It would be useful to investigate the income situations of Canadian-born individuals 60 years of age or older. Such an analysis would allow for a comparison of the elderly who were born in Canada and those who immigrated to Canada. The Canadian-born elderly would have a larger window for potential labour market activity than those immigrants who arrived in Canada at age 40 or older. The vast majority of Canadian-born elders would also have satisfied all eligibility requirements for non-contributory retirement income upon reaching the age of 65. It is of interest to see how these differences affect average incomes and the income strategies employed through retirement by Canadian-born elders as compared to their foreign-born counterparts.

- ***Does family income matter?***
  Investigating the income situations of the families and/or households to which elderly immigrants belong would also be valuable. The income strategies of elderly immigrants are expected to be different for individuals with different family or household situations. An elderly immigrant living alone, for example, may bear more of the cost of living than an elder who lives with his or her children.

- ***Does sponsorship matter?***
  Many of the elderly immigrants in this analysis landed in Canada as sponsored Parents and Grandparents. The sponsor assumes financial responsibility for the sponsored immigrant for the time period specified in the sponsorship agreement and access to certain retirement benefits is affected by the sponsorship status. Investigating the income situations of sponsors and observing how it affects sponsored elderly immigrants would be a useful step in this research.

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