



Labour Market Matters

Special points of interest:

- Lack of access to age-related income support programs could mean a life of poverty for older immigrants in Canada.
- Increasing participation of women in the labour force is working to pull seniors out of poverty and reduce income inequality among seniors.

“[O]lder immigrants, especially those in Canada less than 10 years, have very poor economic outcomes. These poor outcomes are compounded (though not caused) by ineligibility for age-related income transfer programs.”



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Older Immigrants to Canada: Legislated out of a life free from poverty?

Immigration policy in Canada is generally tailored to select immigrants who can make the largest contributions to the economy. One manifestation of this is that immigration policy discourages the immigration of older individuals. Under the points system, no age-related points are awarded after age 53. The share of immigrants aged 45-64, and older than 65, has accordingly been declining steadily in Canada. For older immigrants, life in Canada can be fraught with the possibility of old age poverty. While public pensions and transfer programs are more generally credited for a significant part of the decline in elderly poverty rates in Canada; older immigrants are often ineligible for these transfers (or can only collect a fraction of the benefits) due to policy restrictions.

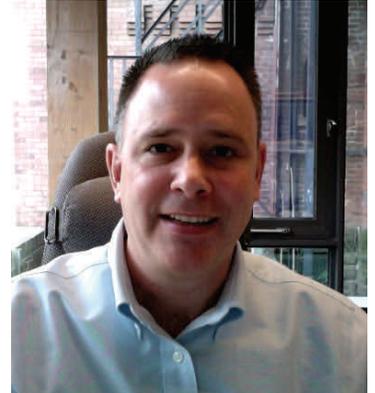
What then, has become of older immigrants in Canada, who frequently have no access to public old age income security programs that are seen as vital to preventing old age poverty? A paper by CLSRN affiliates Michael Baker (University of Toronto), Dwayne Benjamin (University of Toronto) and Elliot Fan (Australian National University) entitled **“Public Policy and the Economic Wellbeing of Elderly Immigrants”** ([CLSRN Working Paper no. 52](#)) examines how older immigrants fare in the Canadian labour market.

The study finds that recent older immigrants have substantially less income than comparable native born (by almost \$1700 per year),

though immigrants who lived in Canada more than 20 years actually earn more. Newer immigrants receive less than half as much money from private pensions as the native-born. Over half of the native-born individuals examined in the study receive private pensions; compared to 25% for immigrants who have been in the country 0-9 years, and 35% for those who have been in the country for 10-19 years.

In principle, once in Canada, older immigrants could collect age-related transfers such as Old Age Security and or Guaranteed Income Supplement (GIS); however, several key policies limit their ability to draw from such income support systems. While Old Age Security (OAS) is normally available to all Canadians aged 65 and older, there is a minimum residence period of 10 years in order to receive any benefits. Furthermore, most older immigrants (age 55 and older) are admitted through the Family Class, usually being sponsored by relatives. Sponsored immigrants are restricted from collecting Social Assistance because of the “undertaking” signed by their sponsors.

The researchers use two main sources of data for their analysis: the Survey of Consumer Finances (SCF) and the Survey of Labour and Income Dynamics (SLID). They find that for recent immigrants 65 years and older (and in Canada or less than 10 years), individual income is lower in many categories – owing in large part to the restrictions such immigrants face in terms of Social Assistance ineligibility and restrictions on OAS eligibility. While the situation for older immigrants looks better when



Dwayne Benjamin
(University of Toronto)

looking at family-based measures of income support; new immigrants 65 and older are still significantly more likely to live in poor households than other Canadians 65 and older. The researchers also find that outcomes for older immigrants in Canada have been deteriorating over time.

Evidence from the study suggests that older immigrants, especially those in Canada less than 10 years, have very poor economic outcomes. These poor outcomes are compounded (though not caused) by ineligibility for age-related income transfer programs. Among a variety of questions raised for future research, the study highlights the difficult problem of designing immigration policy to legitimately encourage younger, more productive immigrants, while at the same providing support for elderly immigrants who cannot support themselves, and whose families are also unable to do so.

Increasing women's participation in the labour market and help pull seniors out of poverty and decrease income inequality

While the incidence of poverty among Canadian seniors has been improving since the 1970s, a small but significant number of seniors continue to live in difficult economic circumstances.¹ Over the past decade there have been substantial increases in the incomes of seniors. The increasing participation of women in the labour force has been a particularly positive contributor to raising the incomes of Canadian seniors. However, increasing income among seniors has also led to concerns about income inequality as there is a clear correlation between socioeconomic status and outcomes such as individual health. As such, changes in income inequality among seniors could lead to changes in inequality of health outcomes including life expectancy. In a study entitled **"Income Inequality Among Seniors in Canada: the Role of Women's Labour Market Experience"** (CLSRN Working Paper no. 51) CLSRN affiliate Tammy Schirle (Wilfrid Laurier University) examines recent changes in the distribution of income among senior Canadians and attempts to determine which factors are driving recent changes in seniors' incomes and income inequality.

Schirle shows that the participation rates of Canadian women have increased dramatically over the past 50 years, reaching 75% in 2007.

Using data from the 1996 and 2006 Canadian Survey of Labour and Income Dynamics (SLID), Schirle finds that as women's participation in the labour market has increased in recent decades, so has their access to private pensions. Higher rates of employment among senior women have contributed greatly to the general rise in seniors' income over recent decades. Increases in women's access to CPP/QPP have had important equalizing effects on income inequality among seniors, working to increase the incomes of the lowest income seniors and reduce senior income inequality.

"[W]omen tend to live longer than men, and often, widowed, divorced or separated senior women were among the poorest seniors as they often did not have careers or access to private pensions for living expenses in old age"

The importance of increased access to CPP/QPP and private pensions should be viewed in light of the fact that women tend to live longer than men, and often, widowed, divorced or separated senior women were among the poorest



Tammy Schirle
Wilfrid Laurier University

seniors as they often did not have careers or access to private pensions for living expenses in old age. Labour market participation among women can help ensure that they are not among those living in poverty should they find themselves widowed, divorced or separated in old age.²

The study found that increases in men's and women's education levels while having the positive effect of contributing to enhanced earnings, have also had the side effect of contributing to greater income inequality among seniors. Schirle found that most of the increase in senior income inequality can be attributed to changes in education, which appear to have benefitted families at the top of the income distribution the most. The evidence supports the notion that education can allow for higher employment income when individuals age, as many high-paying occupations that can

be continued into older ages require a high level of education (for example: doctors, lawyers, accountants). Individuals doing more physically-demanding jobs may be required to stop working due to the physical limitations associated with aging. The evidence also supports the notion, however, that education can allow for higher retirement income in general, as more educated workers will have greater access to pension plans and more opportunities to save for their retirement.

Given the generally positive effect increasing women's participation in the labour force has had both on enhancing the incomes of seniors and mitigating the level of income inequality among Canadian seniors, Schirle believes that policies that continue to promote labour force attachment among women (such as Canada's maternity leave benefits under the Employment Insurance program or public child care programs) should be encouraged. Schirle notes that public pensions also play an important equalizing role, raising the incomes of the poorest seniors. Further expansion of the public pension system could act to reduce income inequality.

¹National Advisory Council on Aging (2005). *Seniors on the margins: Aging in Poverty in Canada*. Online: <http://dsp-psd.pwgsc.gc.ca/Collection/H88-5-3-2005E.pdf>

² Ibid

Endnotes

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