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Retirement Incomes, Labour Supply and Co-residency Decisions of Older Immigrants in Canada: 1991-2006

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Final Report

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Executive Summary

Public support in Canada for immigration has remained remarkably consistent over the past four decades even in the presence of a large restructuring of the Canadian economy, major changes in the composition of new immigrants by source country, and a large decline in the economic fortunes of new immigrants. In light of this new economic and policy context, it is important to gain an understanding of whether older immigrants as a group are well positioned to support themselves as they approach the usual retirement age and move past it. In particular, it is essential for public policy development to understand the linkages between immigration policy and income support policies for older residents of Canada. For example, changes to selection policies related to the admission of older applicants (either through the economic or family reunification categories of selection) have implications for the effectiveness of income support policies for older Canadians.

Our focus is on immigrants at or near the usual retirement age and the extent to which they are able to support themselves in their retirement years. We focus on incomes and labor supply differences between older immigrants and the Canadian born by sex. We also analyze the extent to which older immigrants are more (or less) likely to reside with other family members relative to the Canadian born (possibly) as a way of diminishing the effects of low income on consumption.

Given the limited time span in our data (1991-2006), we do not focus on changes in the retirement income system but rather focus on variation across immigrant arrival cohort in order to explore in a reduce form way the changes across immigrant arrival cohorts in the economic outcomes of immigrants at older ages. We see the cohort patterns as reflecting differences in both immigrant selection policy through time and changes in the international demand for immigration to Canada through time. Finally, we distinguish between immigrants who arrived prior to age 50 versus those who arrived after age 50. The former group is much more likely to include the economic categories of immigrants while the latter group is likely to be dominated by family reunification immigrants. For this latter group, immigration is unlikely to involve a large labour market motive and co-residency with family members already in Canada may be seen as desirable even when it is not necessary.

Data are employed from the confidential master files of the Canadian Census for the years 1991, 1996, 2001 and 2006. Access to the data has been granted through the Statistics Canada Research Data Centre at the University of New Brunswick in Fredericton. The confidential files of the Canadian Census represent an excellent source of information on the economic activities of immigrants in Canada. Using the master files of the Census means that we have a sufficiently large sample so as to be able to carry out a disaggregate analysis at the source country and arrival cohort level. The detailed income information allows us to separately analyze different sources of income of older immigrants (e.g. CPP/QPP income, and other retirement income, as well as wages and salaries). We also use the detailed information on hours of work in the reference week and weeks of work in the reference year to investigate the role of labour supply choices in determining the incomes of individuals age 60-74.

We employ a reduced form modeling framework estimated over the pooled sample of immigrants and the Canadian born separately by gender and by the age at arrival of the immigrants (age 25-49 versus age 50 and older). We analyse different dimensions of income and economic behavior of older Canadian residents such as: the level of total income, as well as income from government sources (CPP/QPP and OAS/GIS), and labour supply. We also analyze the number of individuals residing with the respondent (in the economic family). By analyzing these different dimensions of immigrant outcomes, our analysis sheds light on the likely welfare of older immigrants and the actions that they may take to mitigate the effects of lower income, such as through greater labour supply and through co-residency with other family members.

Older immigrants in Canada are found to have lower incomes than the Canadian-born of the same age range and that this effect is concentrated in the immigrants who arrived older than age 50. However, there is also evidence that the effects of the lower incomes on the welfare of these immigrants are mitigated to a certain extent through co-residency, presumably with their younger relatives already resident in Canada.

We carried out an analysis of total economic family income after making an adjustment for the number of members of the economic family (by dividing by an equivalence scale). The cross arrival cohort patterns indicate that more recent arrival cohorts have significantly lower incomes than did earlier cohorts. We also see declining incomes with age at arrival for immigrants. Immigrants born in Eastern Europe, Africa, and Asia have lower incomes than UK immigrants. The size of these negative effects are especially larger for immigrants who were older than 50 at arrival in Canada.

Immigrants reside with, on average, more family members than do the Canadian born. However, the probability of living in an economic family does not appear to vary a great deal between the Canadian born and the immigrants in the default group (UK group of countries). The cross arrival cohort pattern indicates that more recent arrival cohorts of immigrants have larger economic families on average. Immigrants born in Africa, Asia, and the Caribbean have especially large economic families indicating a higher rate of co-residency. Comparing these patterns to what was found in the income analysis, there is a clear pattern of immigrant groups with relatively low average incomes being the ones living in larger economic families.

Immigrants who arrive at younger ages (25-49) are more likely to be employed and if they are employed, they tend to work longer hours than their Canadian born counterparts. This generally greater labour supply for these immigrants coincides with higher earnings relative to otherwise similar Canadian born. For immigrants who arrived after age 50, their employment decisions do not differ greatly from their Canadian born counterparts; however, if they work, their hours of work, at least over the age range of 65 to 74, tend to be higher. Those from Asian countries tend to work fewer hours and have lower earnings than do immigrants from other source countries.

In terms of pension income, immigrants have relatively less income from private pensions compared with the Canadian born and these differences are especially large for immigrants from non-traditional source countries. Immigrants from non-traditional source countries have low levels of CPP/QPP income relative to immigrants from traditional source countries or the Canadian born. In terms of OAS/GIS income, immigrant men who arrived at age 60 or older have in the order of 50% lower incidence of receiving OAS/GIS income than do immigrants who arrived at younger ages. Immigrants from non-traditional source countries who do receive benefits receive 12 to 30% more than do the Canadian born. In contrast, for immigrant men who arrived age 25-49, we do not see large differences in their incidence or level of income received from OAS/GIS relative to otherwise similar Canadian born men.

Overall, we find that older immigrants in Canada, particularly recent arrivals, have significantly lower levels of both private and public pension income, and some of these immigrants also work significantly more than immigrants who arrived at younger ages and the native-born. Income differentials are especially pronounced for immigrants from non-traditional source countries. However, at the level of the economic family, differences in total income are smaller, and immigrants also live in significantly larger economic families. It thus appears that these immigrants are relying on (extended) family members for financial support, which likely reduces income available per person in those households. This is not necessarily sub-optimal from the family's perspective however, particularly if it facilitates migration to Canada for older family members while helping those family members to avoid living in poverty.

Given the nature of the reduced form analysis, it should be emphasized that we cannot specifically attribute causation to significant variables. Nevertheless, the results do offer some guidance for policy. This evidence of lower incomes for recent immigrants at older ages accompanied with evidence of a greater tendency towards co-residency naturally raises the concern that these immigrants are having difficulty supporting themselves. However, given that co-residency appears to be an effective way for older immigrants to avoid low consumption in retirement, a targeted approach to any policy interventions would be needed. Focusing on income levels alone would not be sufficient since low income older immigrants may have 'good to very good' standards of living if they are residing with economically successful younger family members. That said there are reasons to be concerned that some older immigrants have both low incomes and low standards of living. Future research should continue to monitor the incomes of older immigrants in Canada, ideally using new data sources on older immigrants in Canada. Targeted interventions through the retirement income system may be needed. Also, by identifying the groups most at risk of low standards of living at older ages, it may be possible to reform immigration policy (both selection and settlement) to minimize the risk that future arrival cohorts of immigrants suffer similar hardships.