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Public Policy and the Economic Wellbeing of Elderly Immigrants

Michael Baker
University of Toronto

Dwayne Benjamin
University of Toronto
RCEA

Elliot Fan
Australian National University

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Public Policy and the Economic Wellbeing of Elderly Immigrants

Michael Baker, University of Toronto
Dwayne Benjamin, University of Toronto and RCEA
Elliott Fan, Australian National University

Abstract

In this paper we document the economic outcomes of elderly immigrants to Canada. Our objective is to describe the extent to which elderly immigrants may have low income (are “in poverty”) and their interactions with the Canadian income transfer system. The study has two main parts. First, using a combination of administrative and survey data, we describe the age dimensions of immigration to Canada since 1980, and the evolution of policies directed towards older immigrants (i.e., immigration selection, and eligibility for age-related social security programs). Second, using the SCF and SLID surveys spanning 1981 through 2006, we document the composition and levels of income for immigrants to Canada. We estimate the degree to which older immigrants support themselves, either through working, or living with relatives, as well as the degree that they rely on various income transfer programs, especially OAS, GIS, and Social Assistance (SA). We also summarize their overall living standards, and the extent to which they live in poverty (have “low incomes.”) Throughout the paper, we also explore the family dimensions to the outcomes of older immigrants: distinguishing between individual and family sources of income, as well as outlining differences in the living arrangements (family structure) of older immigrants, and the implications for measures of their well-being

Key Words: Immigration; Retirement; Public Pensions; Living arrangements and family structure.

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Executive Summary

Several government policies target older immigrants to Canada. From the outset, immigration policy is tailored to maximize the economic contribution of immigrants, and even for those admitted for humanitarian or family reasons, to select those immigrants most capable of supporting themselves. On average, with possibly weaker labor market attachment or earnings capacity, older immigrants are less likely to meet these criteria. Beyond immigrant admission policy, once in Canada older immigrants in principle could be eligible for age-related transfers; however, several key policies limit their ability to tap the Canadian income maintenance system. What then becomes of older immigrants? Are the legal restrictions on income-support programs binding? Are older immigrants supported by other family members? Do they work more than other similarly aged Canadians? Or are they marginalized, ending up at the bottom of the income distribution, not just relative to other older Canadians, but also relative to other immigrants?

In this paper we address these questions in two ways. First, we provide a detailed overview of the policies that are relevant for older workers. Second, we use data from 1981 through 1986 to document the composition and level of income for older immigrants. Our focus is on transfer income (most directly linked to government policy), and on the “bottom line” living standards.

In addition to the direct discussion of Canadian immigration and old-age support policies, our research addresses (or raises) more general questions and conceptual issues concerning: Retirement behaviour in the presence of public transfer programs; Family dimensions of labor supply/retirement behaviour and the provision for old age; Immigrant assimilation and the role of the family; The measurement of living standards, and especially how to incorporate differences in living arrangements; The distributional impacts of public policy; and the credibility of restrictions in access to public programs.

In our policy review, we confirm that immigration policy is largely designed to discourage the immigration of older individuals. For economic immigrants assessed by the point system, there are no age-related points awarded after age 53. Most older immigrants (e.g., those 55 and older) are admitted through the Family Class, usually sponsored by relatives (working-aged children). Sponsors must commit to “Undertaking” that restricts the ability of sponsored relatives to collect social assistance. Sponsors must also meet minimum income criteria, so that older immigrants – even in the family class – are highly selected. Using administrative data, we show that the share of immigrants aged 45-64, and older than 65, has been declining steadily over time, though such immigrants (combined) still account for almost 20 percent of all immigrants.

In principle, older immigrants could be eligible for income support from three main federal and provincial sources: Old Age Security (OAS), the Guaranteed Income Supplement (GIS), and Social Assistance (SA). OAS is normally available to all Canadians aged 65 and older. Immigrants, however, face several restrictions: There is a minimum residency period of 10 years in order to receive any benefits; The level of

benefits (once eligible) depends on years of residency (pro-rated on a base of 40-years residence for full benefits). Some eligibility can be transferred from abroad, depending international social security agreements. The GIS is an income-tested “top-up” to the OAS. Base legibility is determined by the same residency requirement as OAS. However, with the “super-GIS” introduced in 1984, those with a partial OAS can have their benefits topped up to the maximum level of OAS/GIS. In principle, such immigrants with only 10 years of residence (with very low incomes) may therefore qualify for the maximum OAS/GIS. Finally, because of the commitment made by their sponsors (the undertaking), most new immigrants are not eligible to receive SA. That said, SA may be used to offset shortfalls from OAS/GIS (and even low Canada/Quebec Pension Plan).

Our empirical analysis is then directed towards confirming whether these policy restrictions are evident in the income composition of older immigrants, and furthermore, where older immigrants end up in the income distribution. We use two main sources of data. For the period 1981 through 1997 we use the Survey of Consumer Finances (SCF), and for 1997 through 2006, we use the Survey of Labour and Income Dynamics (SLID). To maintain focus in the paper, we restrict our analysis to men 20 years and older, highlighting the outcomes for men aged 60 to 64 (nearing “retirement”), and mean aged 65 and older (“potentially retired”). We also draw comparisons between different groups of immigrants: those in Canada 0 to 9 years (“new immigrants”, unlikely eligible for OAS/GIS); those resident 10-19 years (“medium residency”); and those in Canada more than 20 years (“long time residents”).

The key outcomes we explore are the composition of income, especially income received from key transfer and pension programs (OAS/GIS, CPP/QPP, SA), as well as labor market earnings (related to retirement behavior). We also compare outcomes based on individual income to those using family income – allowing for the fact that older immigrants may live with adult children, so that individual income would be a poor proxy for actual material living standards. For family-based income, we also report the share of immigrants that fall below Statistics Canada’s “Low Income Measure,” as an indicator of poverty. We report results as raw means, as well as regression-adjusted estimates that adjust more finely for age, years in Canada, year, and location.

For recent immigrants 65 years and older (those in Canada less than 10 years), we find that individual income is lower in many dimensions. Overall transfers are especially low for this group, reflecting much lower levels of OAS/GIS benefits (consistent with policy restrictions). The one exception is that this group collects significantly higher Social Assistance (SA). The “medium term” immigrants (10-19 years in Canada) collects the highest level of transfer income, both compared to other immigrants as well as native-born Canadians (65 and older). This primarily reflects higher OAS/GIS payments, probably due to the GIS top-ups. While the individual-based income picture is quite grim, it brightens modestly when we look at family-based income measures. Despite the evidence of family support, new immigrants 65 and older are significantly more likely to live in poor households than other Canadians 65 and older. New immigrants aged 60-64 also have very poor outcomes. They are not eligible (by age) for OAS/GIS, and are

heavily reliant on SA. We also find that comparing the SLID to the SCF results, that outcomes for older immigrants are deteriorating over time.

In summary, our evidence suggests that older immigrants, especially those in Canada less than 10 years, have very poor economic outcomes. We also find that these poor outcomes are compounded (though not caused) by ineligibility for age-related transfer programs. Among a variety of questions raised for future research, we highlight the difficult problem of designing immigration policy to legitimately encourage younger, more productive immigrants, while at the same time supporting those needy elderly immigrants who cannot support themselves, and whose families are also unable to do so.