



In Brief

Immigrant Seniors: Their Economic Security and Factors Affecting Their Access to Benefits

Publication No. 07-45-E
Revised 26 May 2010

Sandra Elgersma

Social Affairs Division
Parliamentary Information and Research Service

***Immigrant Seniors: Their Economic Security and
Factors Affecting Their Access to Benefits***
(In Brief)

HTML and PDF versions of this publication are available on Intraparl
(the parliamentary intranet) and on the Parliament of Canada website.

In the electronic versions, a number of the endnote entries contain
hyperlinks to referenced resources.

Ce document est également publié en français.

Papers in the Library of Parliament's *In Brief* series provide succinct, objective and impartial overviews of current issues. They are prepared by the Parliamentary Information and Research Service, which carries out research for and provides information and analysis to parliamentarians and Senate and House of Commons committees and parliamentary associations.

CONTENTS

1	IMMIGRANT SENIORS' ECONOMIC SECURITY	1
1.1	Immigrant Seniors in Canada	1
1.2	Economic Security	1
2	FACTORS AFFECTING IMMIGRANTS' ACCESS TO OLD AGE BENEFITS	2
2.1	Old Age Benefits	2
2.2	International Social Security Agreements	3
2.3	Family Class Sponsorship	3
3	RELATED PUBLIC POLICY DEBATES	4

IMMIGRANT SENIORS: THEIR ECONOMIC SECURITY AND FACTORS AFFECTING THEIR ACCESS TO BENEFITS

1 IMMIGRANT SENIORS' ECONOMIC SECURITY

A much larger proportion of recent immigrant seniors live on low incomes than do longer-term immigrants or the Canadian-born. While recent immigrant seniors, who often live in dwellings with extended family, may benefit from greater family support than the Canadian-born, their economic well-being may be negatively affected by their shorter time in the Canadian labour market and restrictions on their access to benefits.

1.1 IMMIGRANT SENIORS IN CANADA

- Most immigrant seniors have lived in Canada for decades – Census 2006 found that 87% of immigrant seniors in Canada had immigrated before 1991.¹ At the time of the census, the majority of immigrants were in their “working age” years. According to the census, 9% were older than 45 when they immigrated to Canada.²
- Over the period 2001–2006, just 3.4% of recent immigrants were seniors. This figure is in contrast to the 11.5% of Canadian-born people who were aged 65 and over.³
- Immigrants are much more likely to reside in large urban areas than non-immigrants. In 2006, more than half of immigrant seniors lived in Toronto, Vancouver or Montréal.⁴
- Sixty-four percent of immigrants over the age of 65 were born in Europe, while 23% were born in Asia (including the Middle East). These figures are likely to shift in opposite directions in the coming years, reflecting the rise in immigration from Asia and the Middle East, and a decline in immigration from Europe.⁵

1.2 ECONOMIC SECURITY

Immigrant seniors are overrepresented in their experience of poverty. Recent immigrant seniors, in particular, have the highest rates of poverty, which tend to abate and converge with the Canadian-born over time.

A 2003 survey found that 26% of recent immigrant seniors were in the lowest income quartile, versus 15% of non-immigrant seniors and 12% of immigrant seniors who came to Canada before 1981.⁶ These findings are consistent with those of Boris Palameta, of Statistics Canada, who examined the situation in more detail. Palameta included three groups of immigrants in his study: early immigrants who had been in Canada for at least 17 years, mid-term immigrants who had been in Canada for 7 to 16 years, and recent immigrants, who had been here for 1 to 6 years. His findings show that early immigrants share a similar probability of having low incomes to Canadian-born seniors, but that mid-term immigrants were five times more likely to have low incomes than their Canadian-born counterparts.⁷

While the percentage of seniors with low incomes has declined over time, the recent immigrant population has realized significantly smaller reductions. Immigrant seniors who had been in Canada for 5 years or less in 1980 had a low-income rate of 31.5%, while their counterparts in 2005 had a low-income rate of 27.2%. In contrast, Canadian-born seniors saw their low-income rate fall from 28.1% to 13.3% over the same period. This result was mirrored among established immigrants; those who had been in Canada for over 20 years saw their low-income rate fall from 34.2% in 1980 to 14.2% in 2005.⁸

2 FACTORS AFFECTING IMMIGRANTS' ACCESS TO OLD AGE BENEFITS

2.1 OLD AGE BENEFITS

Canada's system of old age benefits consists of a pension funded through taxation (Old Age Security), an income tested supplement (Guaranteed Income Supplement), and a public pension funded by contributions (Canada/Quebec Pension Plan). Eligibility requirements for each aspect are described below.

Old Age Security (OAS) Pension: The OAS pension is a taxable monthly benefit available to most people 65 or older who meet the residence requirements. To qualify for an OAS pension in Canada, applicants must be 65 years of age or older and must be Canadian citizens or legal residents of Canada at the time the pension is approved. They must have resided in Canada for at least 10 years after the age of 18.

The amount of the OAS pension is determined by how long a person has resided in Canada. A full OAS pension is only available to those who have lived in Canada for 40 years or longer after reaching age 18. A person who cannot meet the requirements for the full OAS pension, however, 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 after reaching 18. OAS is funded out of general tax revenue and was intended to provide a universal benefit to persons who had an attachment to Canada.

Guaranteed Income Supplement (GIS): The guaranteed income supplement provides additional money to low-income seniors living in Canada. To be eligible for the GIS benefit, one has to be receiving the OAS and meet certain income requirements.

Canada Pension Plan (CPP): The CPP is a social insurance program based on contributions on earnings. Anyone who has made at least one valid contribution to the CPP is eligible to receive a monthly retirement pension. The pension may be received as early as the month following the contributor's 60th birthday, provided an application is completed and the necessary documents are provided. The amount of CPP pension depends on how much and for how long a person has contributed, as well as the age at which a person chooses his or her pension to begin. The Quebec Pension Plan (QPP) is a similar program for earners in Quebec.

Two additional factors, described in detail below, warrant consideration in analyzing immigrants' access to old age benefits: international social security agreements and family class sponsorship.

2.2 INTERNATIONAL SOCIAL SECURITY AGREEMENTS⁹

Social security agreements forged between Canada and other countries facilitate the coordination of pensions and benefits. According to Human Resources and Skills Development Canada (HRSDC), social security agreements have four primary objectives: to reduce or eliminate restrictions that may prevent Canadians from receiving pensions from other countries; to reduce or eliminate restrictions on the payment of pensions abroad; to make it easier to become eligible for benefits through the adding together of periods of social coverage under the schemes of two countries; and to permit continuity of social security coverage and prevent duplication.

Canada has entered into more than 50 social security agreements, each unique.¹⁰ However, most agreements provide for immigrants to add periods of residence or contribution in their countries of origin to their period of residence in Canada in order to meet the residence eligibility requirement for OAS sooner than would normally apply. For instance, under the Canada–New Zealand agreement, Canada will consider periods of residence in New Zealand after the age of 20 as periods of residence in Canada. Once eligibility for a benefit has been established, each country pays a benefit in proportion to the actual periods spent under its own social security scheme. Only periods of residence in Canada are taken into consideration when calculating the amount of the OAS benefit.

Immigrants who qualify for OAS benefits under a social security agreement are entitled to a partial Guaranteed Income Supplement only. They are entitled to this benefit on a pro-rated basis, tied to years of residence in Canada. They may receive one tenth of the GIS amount for each year of residence in Canada, until 10 years have been reached.

2.3 FAMILY CLASS SPONSORSHIP

When Canadian citizens and permanent residents sponsor relatives to come to Canada, they commit to provide financial support for their relatives for a defined period (the duration of the sponsorship undertaking). The sponsor promises that the sponsored person and his or her family will not need to apply for social assistance, and takes on personal financial liability for repayment should social assistance be provided to the sponsored person(s) while the undertaking is in effect.

Sponsored persons are also restricted from accessing federal benefits during the undertaking period. According to the *Old Age Security Act*, persons for whom an undertaking by a sponsor is in effect may not receive the guaranteed income supplement (section 11(7)(e)(ii)), spousal allowance (section 19(6)(d)(ii)), or survivor's allowance (section 21(9)(c)(ii)). The undertaking period ranges from 3 to 10 years, depending on the relationship between the sponsor and the relative.

The majority of the new permanent residents aged 65 and older who come to Canada – around 83% of this age group over the last decade – arrive as family class immigrants.¹¹ This is true for both men and women, although the percentage is slightly higher for men. This suggests that sponsorship requirements are especially pertinent for new immigrants in this age bracket, although they account for a small percentage of new immigrants overall.

Looking ahead to retirement, “immigrants face a double disadvantage in the Canadian pension system. First, public pension acquisition is problematic for immigrants given the residency requirements and second, the accumulation of pension assets through the CPP/QPP or private pensions is also extremely challenging due to the difficulties in integrating fully into the Canadian labour market.”¹² Recent immigrants are concerned about retirement: 45% of near retirees who have immigrated to Canada since 1980 believe their financial preparations for retirement are inadequate.¹³

These concerns are confirmed by data showing the reliance on the GIS by different groups. Marier and Skinner found that those who immigrated to Canada prior to 1969 rely less on GIS than the Canadian-born. However, 59% of post-1970 immigrant households received the GIS in 2004. Immigrant women derived a greater percentage of their individual income from the GIS than immigrant men.¹⁴

A 2009 report found that “the longer immigrant seniors stay in Canada, the more the transfer system reduces their low-income rate.”¹⁵ Such research signals how important alternative sources of financial resources, such as labour market income or family support, are to recent immigrants, and illustrates the importance of policy decisions.

3 RELATED PUBLIC POLICY DEBATES

A review of the evolution of public policy in the area of old age benefits for foreign-born seniors shows that the principles of fairness, income adequacy, constrained costs and minimal abuse of the program have been evident throughout.

In addition to enabling the negotiation of international social security agreements, the 1977 reform introduced partial pensions. At the time, policy-makers recognized that immigrants from countries with which Canada had not concluded agreements and who had immigrated to Canada without sufficient time to accumulate significant assets through labour market participation would be at a financial disadvantage. It was envisioned that their needs would be met (to a similar standard of living) through social assistance.¹⁶ Given immigration flows at the time, the problems of primary concern were those facing European immigrants.

The introduction of partial pensions (a change from the previous “all-or-nothing” situation), allowed the foreign-born to benefit, at least partially, from Old Age Security. However, the same reform created two kinds of seniors: those with full benefits and those with partial benefits.

In part to address this inequity, the 1984 Budget increased the maximum GIS amount payable under the partial OAS pension to match the total OAS/GIS income of full pensioners. One consequence of these reforms was a high number of elderly sponsored immigrants from countries with which Canada had concluded a social security agreement who qualified after one year for the OAS and were also receiving significant GIS payments.¹⁷

Eligibility changes were introduced as part of the 1996 Budget that addressed both the increasing costs of the OAS and the financial obligations of family class sponsors. Beneficiaries who qualified for benefits through social security agreements would be eligible for one tenth of the GIS for each year of residence in Canada until qualifying for the full benefit. The other significant measure was to restrict sponsored immigrants' eligibility for the GIS or spouse's allowance for the period of sponsorship.

The themes of fairness, income adequacy, limited costs and abuse of the program are still part of the policy dialogue today. Some immigrant advocacy groups and members of Parliament have raised concerns over the fact that some immigrant seniors can receive old age benefits within a year of arriving in Canada, while others have to wait. They raise the concern that those ineligible for OAS are the most vulnerable – those who had inadequate state protection in their countries of origin. Private Member's bills were introduced in the 39th and 40th Parliaments that would reduce from 10 years to 3 years the residence requirement for entitlement to old age security.¹⁸ Changing the OAS to a universal benefit based on citizenship, rather than residence, is another policy solution that is advocated.¹⁹

Proponents of the current policy believe that people should demonstrate a contribution to Canada before drawing lifelong benefits, and therefore a 10-year waiting period seems reasonable. They refer to the decision of *Canada v. Pattinson*, which found that residence requirements under the regulations do not violate rights or discriminate on grounds found in the *Canadian Charter of Rights and Freedoms*.²⁰ Finally, some have raised concerns about the financial sustainability of old age benefits, should eligibility be expanded.

These competing interests will continue to shape policy and benefits in the years to come. However, the deepening poverty of recent immigrants and the significant shift in countries of origin suggest that the solutions of the past may not be sufficient for the future.

NOTES

1. Statistics Canada, *2006 Census Profile of Federal Electoral Districts (2003 Representation Order) Language, Mobility and Migration and Immigration and Citizenship*, 2007, p. 18.
2. Statistics Canada, "Immigrant Status and Period of Immigration (9), Knowledge of Official Languages (5), Detailed Mother Tongue (103), Age Groups (10) and Sex (3) for the Population of Canada, Provinces, Territories, Census Metropolitan Areas and Census Agglomerations, 2006 Census – 20% Sample Data," Catalogue no. 97-557-X2006021, 4 December 2007.

3. Tina Chui, Kelly Tran and H  l  ne Maheux, *Immigration in Canada: A Portrait of the Foreign-born Population, 2006 Census*, Catalogue no. 97-557, Statistics Canada, December 2007, p. 13.
4. Statistics Canada, "Immigrant Status and Place of Birth (38), Sex (3) and Age Groups (10) for the Population of Canada, Provinces, Territories, Census Metropolitan Areas and Census Agglomerations, 2006 Census – 20% Sample Data," Catalogue no. 97-557-X2006013, 4 December 2007.
5. Statistics Canada, "Place of Birth (33), Period of Immigration (9), Sex (3) and Age Groups (10) for the Immigrant Population of Canada, Provinces, Territories, Census Metropolitan Areas and Census Agglomerations, 2006 Census – 20% Sample Data," Catalogue no. 97-557-X2006019, 4 December 2007.
6. Martin Turcotte and Grant Schellenberg, *A Portrait of Seniors in Canada*, Catalogue no. 89-519-XIE, Statistics Canada, February 2007, p. 277.
7. Boris Palameta, "Low Income among Immigrants and Visible Minorities" *Perspectives*, Catalogue no. 75-001-XIE, Statistics Canada, April 2004, p. 15.
8. Note that these figures are after transfer and before tax. See Garnett Picot, Yuqian Lu, and Feng Hou, "Immigrant low-income rates: the role of market income and government transfers," *Perspectives*, Catalogue no. 75-001-X, Statistics Canada, December 2009, p. 19.
9. Material in this section was drawn from Human Resources and Social Development Canada, "Social Security Agreements Oct. 07," unpublished working document.
10. The list and full text of all agreements can be found at Service Canada, [Status of Canada's Social Security Agreements](#). The government is continually working on new social security agreements. Priority for negotiation is based on such factors as diplomatic, coverage, benefit, and other considerations; the design and coordination of the other country's pension scheme; its financial sustainability; and the other country's administrative capacity.
11. "Canada – Permanent residents 15 years of age or older by age and category," in Citizenship and Immigration Canada, [Facts and Figures, 2008: Immigration Overview – Permanent and Temporary Residents](#), 2009.
12. Patrik Marier and Suzanne Skinner, "The Impact of Gender and Immigration on Pension Outcomes in Canada," Paper presented at the Annual Canadian Political Science Association Conference, Saskatoon, 30 May–2 June 2007, p. 12.
13. Turcotte and Schellenberg (2007), p. 284.
14. Marier and Skinner (2007), pp. 11 and 17.
15. Picot, Lu and Hou (2009), p. 21.
16. House of Commons, *Debates*, 2nd Session, 13th Parliament, 21 February and 28 March 1977.
17. Edward Tamagno, "Strengthening the Foundations of Canada's Pension System: A Review of the Old Age Security Program," Caledon Institute of Social Policy, November 2007, p. 21.
18. Bill C-362, An Act to amend the Old Age Security Act (residency requirement), 1st Session, 39th Parliament, and Bill C-428, An Act to amend the Old Age Security Act (residency requirement), 2nd Session, 40th Parliament.
19. Marier and Skinner (2007), p. 13.
20. *Canada v. Pattinson* [1990] F.C.J. No. 1142, Federal Court of Appeal.