FEDERAL-PROVINCIAL INCOME SUPPORT FOR LOW-INCOME SENIORS WITH LIMITED CANADIAN RESIDENCE

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Abstract

While the Canadian public pension system has been lauded as an international success story in reducing low income incidence among seniors, this trend is not reflected among those with limited residency in the country. Their low-income incidence and income disparity has been increasing from the 1980's through the 1990's. As a result of limited residency, these individuals are not eligible for federal retirement income programs that are a major source of income for eligible low-income Canadians.

This study assesses the interactions between federal and provincial programs in the country's three most populous provinces and the income adequacy they provide for elderly citizens with limited residency relative to other seniors with longer residency periods. Policy options to address the income disparity of this population are identified and evaluated. The study concludes with general recommendations for reform along with some implementation strategies.

Keywords: Retirement income; Seniors; Residence requirements; Immigrants

Subject Terms: Retirement Income System; Income Security Programs; Old Age Security; Guaranteed Income Supplement

Executive Summary

This study explores the ways in which income assistance programs provide for different segments of seniors. The issue at hand is explaining the increasing income disparity of seniors with limited residency compared to intermediate and long-term seniors. This discrepancy is linked to the individual's source of income, which in turn ties to the Old Age Security program's residence requirements and sponsorship obligations. The OAS benefits and the related Guaranteed Income Supplement are a major source of income for eligible seniors with little or no other income.

Previous research has linked low-income trends with a shift in immigrants' countries of origin, changes in immigration and retirement income policies. Length of residence influences the accumulation of wealth, access to public transfers and dissavings of transitory support. Seniors with limited residency are a heterogeneous group of which the majority are sponsored immigrants. Sponsored seniors rely less on provincial programs than refugees and economic immigrants. Generally, where the federal retirement income system does not provide support, the province or family does.

This study adopts a mixed methodology approach which includes case studies comparing the income support offered by the federal OAS program to four subpopulation groups of seniors and the provincial assistance programs in three provinces. A portrait of our target population is drawn from a brief analysis of secondary data from the Survey of Labour and Income Dynamics (SLID) 2004. I offer historical, jurisdictional and political overviews to set the current context of debates. This background motivates my choice of policy alternatives and informs my evaluation of these alternatives. Some key findings are:

- Provincial assistance programs could provide for low means seniors with limited residency where sponsorship obligations are not in effect.
- The literature and SLID data found that most recent immigrants live in families, in large urban centres, and rely on public transfers as a major source of income.
- Although the literature identified a greater reliance on provincial transfers, the SLID results indicated that the main government transfers are refundable tax credits rather then provincial assistance programs.

- Even when in receipt of the maximum provincial assistance benefits, individuals have incomes well below the minimum income guarantee provided by the OAS/GIS. Further, the level of provincial income support for seniors varies from province to province.
- Public debates would see a greater role for the federal government in an area of shared jurisdiction. But concerns remain with regard to long-term sustainability of the OAS program and what constitutes adequate attachment to Canada.

The policy alternatives are evaluated based on four criteria including effectiveness, public support, administrative burden and costs, and costs of benefits. The first alternative would not change the residency requirement or immigration policy but would build on current take-up and communication initiatives as well as community engagement programs. With little deviation from the current system, the costs and administrative burdens are low, but this option fails to provide significant income to the target population. The second alternative would encompass a review of sponsorship policy to strengthen a sponsor's obligation and the probability of their fulfilling it by requiring a higher income threshold to sponsor seniors. This option fails to put income in the hands of seniors themselves, but it is at a low cost and the design of the new requirements could be simple to apply administratively.

The other two policy alternatives are derived from current reforms suggested in Bill C-362. The first would include a review of the residency requirement, the qualifying factor and the definition of a qualified individual so that the minimum income guarantee of OAS/GIS benefits is extended to senior citizens and legal residents not under an active sponsorship agreement with a minimum of 3 years of residence in Canada. The second would entail only a reduction of the residence requirement from 10 to 3 years for a pro-rated pension. A pro-rated GIS benefit would be available to those in low income. The latter alternative would not necessarily increase the income for all seniors in low income but would shift their income source. The cost of the former is anticipated to be high and may put into question the sustainability of the OAS program.

A gradual introduction of three policy changes is recommended. First is an initial pro-active measure that does not require much fiduciary commitments beyond what has already been made. Secondly, a sponsorship requirement review should be implemented, particularly within the context of complementing Bill C-36 asserting sponsorship obligations to all and further constraining access of OAS benefits. This would increase the capacity to uphold expected sponsorship obligations for future sponsors. Finally, program changes should allow some non-sponsored seniors with limited residency to receive OAS/GIS without incurring unsustainable costs for the federal government. The take-up numbers for pro-rated benefits could contribute to projections of costs if the minimum income guarantee were to be extended.

Dedication

Every Sunday night over a game of cards, two men debated the policies and the politics of the day. These men's political views were polar opposites at times but regardless they shared the same interests: what is best for their Canada and the Canada of their children's future. It is by listening to these men, my father and grandfather, that I developed an interest in public policy. I would only hope that this work could inspire such discussion at another kitchen table.

Although my grandfather has now passed, his memory continues to be an influence. I dedicate this work to my family who have shaped my life, supported my choices and seen me through to this end. Now with family, old friends and new ones, I move on to the next challenge.

Acknowledgements

I would like to thank my senior supervisor for all the guidance he has provided throughout this process and my internal examiner for her constructive comments. My gratitude is also extended to a very supportive cohort who had an ear to lend and advice to provide when need be. To J. Basi – I really appreciate all the time you took to re-read my work, provide advice and repeatedly listen to my presentation. Best wishes to all.

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Glossary

ALW	Spouses Allowance
ALWS	Allowance for Survivors
CIC	Citizenship and Immigration Canada
CPP	Canada Pension Plan
C/QPP	Canada and Quebec Pension Plan
CRA	Canada Revenue Agency
GAINS	Guaranteed Annual Income System
GIS	Guaranteed Income Supplement
GST	Goods and Services Tax
HST	Harmonized Sales Tax
LICO	Low-Income Cut-Off
OAS	Old Age Security
ODSP	Ontario Disability Support Program
PST	Provincial Sales Tax
QPP	Quebec Pension Plan
RIS	Retirement Income System/Security
SLID	Survey of Labour and Income Dynamics
SS	Senior Supplement (British Columbia)

1: Introduction

The Old Age Security (OAS) pension and Guaranteed Income Supplement (GIS) are not available to seniors with limited Canadian residency.[1] How does this factor influence dependence on provincial programs? What programs provide income support to low income seniors, 65 years of age and over, with limited residency? What are the federal and provincial roles for the income security of this population? This paper assesses the interactions between federal and provincial programs in the three most populous provinces and the income adequacy they provide for elderly citizens with limited residency in Canada. Previous research has found that income security is important for individual and family well-being. Based on that material, the paper then formulates and evaluates alternative courses of policy action to deal with low-income status of some seniors with limited Canadian residency.

Previous research has found that low-income rates among seniors with limited residency are higher than among Canadian born seniors and those with intermediate residency. While the Canadian public pension system has been lauded as an international success story in reducing prevalence in low income among seniors, this trend is not reflected among those with limited residency. The low-income incidence among this group has actually been increasing from the 1980's through the 1990's. This increase has been linked to a change in countries of origin, as well as entry class of new arrivals.[2] In addition, over the last few decades several amendments have altered benefit provisions for different seniors with limited residency, thereby influencing their sources of income.

In section 2 the policy problem and key terms will be defined. Section 3 describes the methodology that is undertaken in this paper. Through a literature review in section 4, I will identify and discuss several factors influencing income security of seniors with limited residency. A portrait of this population is drawn through an analysis of data from the Survey of Labour and Income Dynamics. Sections 5 and 6 will describe federal and provincial

[1] Senior with limited residency are individual aged 65 and over who have been in Canada for less than ten years or its equivalent. Residency categories are defined further in section 2.1.1.

[2] Entry classes are described in section 2.1.3.

income support programs for seniors and discuss their provision to different segments of the Canadian population. This will include a comparative analysis of the programs' benefits, eligibility requirements and purpose. Section 6 will also compare the income situation of seniors with no OAS/GIS in Ontario, British Columbia and Quebec. I have selected provinces with the largest proportions of recent arrivals who exhibit a strong influence on income distribution among seniors with limited residency.

From a comparative analysis of income security programs and an evaluation of the income situation of recent elderly arrivals to Canada in each jurisdiction, I have identified policy options to address income adequacy among this population. Each option will be assessed based on four criteria: effectiveness, political support, administrative operability and costs of benefits. My study will conclude with general recommendations for reform, along with some implementation strategies.

2: Defining the Policy Problem

Seniors' income security has been improving with the maturation of the Canadian retirement income system (RIS). Canadians who have lived and worked for most of their lives in Canada can benefit from OAS benefits as well as from the Canada Pension Plan or a Quebec Pension Plan (C/QPP). On the other hand, Canadian seniors with limited residency have experienced an increasing incidence of low income under several measures indicating a downward shift in income for this population. Limited residency seniors' retirement income is increasingly lower then intermediate and long term seniors. Their limited residency could mean they do not meet the eligibility requirement of the OAS programs, and their contributions to the C/QPP are not substantial. These two programs are the first and second pillars of the Canadian RIS, which makes up a large share of long and intermediate-term Canadian residents' retirement income.

Without these income sources, some seniors with limited residency can fall on provincial social assistance when they have exhausted most of their financial assets. Provincial programs are not merely income tested but also means tested. Holdings of financial and non-financial assets such as cars and homes affect the determination of eligibility. By contrast, these assets per se are not part of the calculations of OAS/GIS benefits for established Canadians; only income from those assets and other sources is. Furthermore, benefit levels provided by provincial programs are lower than those provided by the OAS program. Without access to federal and provincial income support programs, seniors rely on investments, savings, earning and family support. The focus of this paper is the role of income support programs funded through general revenues and the income adequacy of Canadians with limited residency compared to intermediate, equivalent intermediate, and long-term Canadians.

2.1 Definitions

2.1.1 Seniors with Limited Residency

Another key factor that makes this problem complex to address is that seniors with limited residency are not a homogeneous population. The term "seniors with limited residency," which is used repeatedly throughout this paper, should be defined. Seniors are persons 65 years of age and over. Limited residency means having lived in Canada for less than 10 years or its equivalent, and the identifier for this population can be their ineligibility for OAS pension. Individuals who are not eligible for OAS benefits also do not qualify for the income-tested GIS benefits.

The term "its equivalent" is an important distinction, as seniors who have resided in Canada for less than 10 years but who come from a country which has signed a reciprocal social security agreement with Canada may count years of residence in that country towards meeting the OAS eligibility requirement.[3] However, a senior's level of benefits is based on their length of residence in Canada. Thereby the term residence or residency will generally refer to years lived in Canada. One should also note that those with limited residency could be persons born in Canada, but who have spent the majority of their adult life abroad. Canadian citizens and legal residents are equally eligible for OAS/GIS benefits if they meet the residency requirement.

Long-term Canadians are those who have been in Canada for most of their adult life and have thereby accrued sufficient residency years for a full OAS pension and significant contributions to the C/QPP. Intermediate-term Canadians are eligible for a partial OAS pension. A partial pension provides a fraction of the full pension - (1/40) for each year of residence in Canada. Equivalent intermediate-term Canadians will refer to those who meet the minimum requirement for a pro-rated OAS pension through reciprocal agreements.

2.1.2 Low Income

The low-income trends generally referred to throughout this paper are based on the after-tax, low-income cut-off (hereafter LICO) measure produced by Statistics Canada. The LICO establishes an income threshold identifying the average income spent by Canadian

[3] A greater discussion of residency requirements and reciprocal agreements is provided in section 5.2.

families on necessities plus 20 percentage points. Thresholds of families' expenses can vary across seven family sizes and five community sizes. Individuals or families whose total income falls below the threshold for families of a similar size and area are spending a larger proportion of their income on necessities. These families are considered to be facing strained conditions. The LICO uses total income, which can include labour earnings, pension income, investment, government cash transfers, and other financial transfers to an individual. The after-tax LICO measure is utilized as it reflects the distributive impact of Canada's tax and transfer system on households' actual spending power.[4]

At times, the literature refers to the Low Income Measure (LIM), which is a relative measure that represents 50 percent of median family income, adjusted for family size and composition (Cotton, 2002, p.2). The LIM does not vary by community size but it is the measure used in international comparisons. It is important to note that Statistics Canada maintains that none of the measures of low income, whether the LICO or LIM, are considered official measures of poverty.

The GIS cut-off threshold is not necessarily a measure of low income but an administrative cut-off. The GIS cut-off threshold is the income level where the income-tested benefit would have been reduced to zero. Beyond this point OAS pensioners are no longer eligible for the supplement. Although it is not a measure of low-income, the provision of a maximum OAS/GIS benefit to those with a minimum of 10 years of residence in Canada does provide an income floor for its recipients. Later discussion will compare the income floor of the OAS/GIS to provincial assistance benefits for seniors with little or no other income.

2.1.3 Entry Class

Entry classes include family class, economic class and refugees. Family class immigrants are sponsored, and their relatives have agreed to undertake financial responsibility for them. The sponsor is responsible for the immigrant from the time of their arrival, up to 10 years from the date of their assuming permanent residence. To sponsor a family member, one has to have a minimum income sufficient to support their current family

[4] The LICO in large urban centers used by CIC in 2008 are $21,202 for singles and $26,396 for couples. As will be seen in latter discussion - the maximum benefits payable by social assistance programs or the OAS/GIS are well below these thresholds.

in Canada and the sponsored. Economic class individuals enter through Canada's point system. Points are usually provided for income, age and profession as well as other measures that would gauge an individual's self-sufficiency. Refugees generally do not need to meet self-sufficiency tests. Depending on their type, refugees may have access to some temporary targeted government programs that assist in their initial settlement and provide temporary income.[5]

[5] For example federal resettlement assistance can be available to convention refugees abroad and source country class entrants.

3: Methodology

My methodological design is the result of a process of elimination. Research designs for the subject matter that I am pursuing have generally involved econometric analysis. To date these studies were conducted on a national scale and identified small sample sizes as a limitation. Since this project will break down this population by years of residence and province, the numbers will shrink further. The program data and the variables available may also vary across jurisdiction because of different collection procedures, further limiting the scope for econometric analysis. The literature has also observed that participants in these groups may be hard to contact and communicate with, which would limit my ability to conduct focus groups or surveys. To add to the current literature, I use case studies and secondary data to expand on the federal and provincial role.

The literature review draws on findings of previous work in the field to frame the context as well as to identify key considerations and provide candidates for policy alternatives. Along with case studies and other sources of information it contributes to evaluating each alternative and how they relate to the criteria.

My methodology consists mainly of secondary data analysis. First, data from the Statistics Canada Survey on Labour Income Dynamics (SLID) 2004 are analyzed to create a profile of seniors with limited residency in low income and confirm the findings of the literature review. The population was isolated by extracting cases not in receipt of OAS/GIS, with before-tax income below the 2004 OAS complete repayment threshold, who are 65 years of age and over. I examine the relationship between the individual's number of years in Canada and their income source, household size, province of residence, region of residence, marital status and sex.

Second, this study utilizes existing data on federal and provincial income support programs. It includes a historical review of the current OAS program provisions and residency requirement. It identifies and categorizes benefits available to "long-term" Canadian seniors with 40 years of residency, intermediate seniors with at least 10-years of residency, "equivalent" intermediate seniors, and seniors with less than 10 years residency.

Relevant income security programs from the federal government and British Columbia, Ontario, and Quebec is mapped out in terms of purpose, benefit amount, reduction rate, eligibility, funding source and number of beneficiaries. This allows for an examination and comparison of the level of income security offered to each group through various transfers in the three jurisdictions.

The data for this process included a review of relevant legislation, program overviews, budget expenditures, program plans and statistical data provided by the department or the government's statistical agency. The completeness of the data provided, the clarity of available documents, and accessibility to the data varies across jurisdictions. Moreover, program data found online are aggregates that identify overall take-up of all eligible beneficiaries. Consequently, data pertaining to my specific population in each jurisdiction is limited. As a result, I use age as an identifier.

The stakeholder overview extracts comments and suggestions from public reports and the media. These comments are not given extensive weight, but they contribute to taking into account perspectives that may otherwise be overlooked. This material will also provide a backdrop for assessing public support for policy alternatives.

4: A Portrait of Seniors with Limited Residency

Who are these seniors with limited residency? What factors contribute to their prevalence in low income? What are their sources of income? Why would they have little to no other income? The following subsections will review the literature and results from SLID data analysis to address the questions at hand.

4.1 Literature Review

The existing literature has not only identified a dichotomy in low-income incidence among seniors, but it has also sought to identify the characteristics of seniors with limited residency. As a result, researchers share similar conclusions about the effects of entry type and years of residence on income source. Although the intended focus of this paper includes all non-OAS eligible senior Canadians as a result of limited residency, the existing literature predominantly concerns family class immigrants. A brief review of several pieces will follow along with a conclusion of key findings that will be utilized as assumptions for this paper.

Baker (2002) examines the trends of recent, intermediate and long-term immigrants' dependency on their family and Canada's social transfer system. The author uses econometric analysis to look at sources of income by length of residency in Canada and entry class. He seeks to identify the extent of dependency on the public transfer system by examining income sources. The second part of his analysis investigates consumption behaviour of families to determine whether elderly immigrants are a burden on their extended or nuclear families. His study provides an overview of federal programs and finds a downloading effect to the provinces. Recent immigrants not eligible for OAS benefits have a high dependence on the provincial transfer system, but the author does not investigate specific provincial programs. There is also an indirect effect; an immigrant's extended and nuclear families are more likely to become reliant on some form of transfer. Recent elderly immigrants' presence in the family household affects consumption patterns of the family by raising the proportion of household income spent on basic needs.

Hou and Picot (2003) conducted an extensive literature review to identify the context and trends of rising low-income rates among immigrants. The authors also undertook regression analysis of the Census 20 percent sample micro-data, Survey of Consumer Finance, and the SLID to identify the contribution of immigrants to the change in low-income rates. Their analysis examined the income of different cohorts of immigrants, their characteristics, and the influence of length of residence. They found that the immigrant population has a significant impact on low-income in Canada. Recent cohorts utilized social transfers' more than earlier cohorts, particularly those from non-traditional countries of origin. Relative to the Canadian born, immigrants had an increased probability of falling into low income. Recent immigrants accounted for 13 percent of the low-income population in 1995 compared to 5.7 percent in 1980, although they were only 6 percent of the Canadian population (p.22). Note that these results refer to immigrants of all ages and not just seniors.

Basavarajappa (2000) used 1991 Census data to examine the distribution and concentration of individual income among immigrants aged 55 years and over from 15 different countries of birth. The country of origin is an important factor to consider for Canadian immigrants, as they are increasingly from developing countries rather then traditional western developed countries. The author found that those from developing countries have a lower average annual income, greater inequality in their distribution of income, and more polarization of income than Canadian born citizens. His analysis established that the duration of residence in Canada correlates positively with income and inversely with inequality and polarization. He finds that part of the explanation lies in the equalizing role of government transfers. It is widely accepted in the literature that duration of residence influences asset accumulation, eligibility for OAS/GIS and the accumulation of credits for C/QPP. Other factors that could affect polarization indices include knowledge of either of Canada's official languages, educational attainment and entry class.

Veall (2007) acknowledges that there has been a dramatic decrease in the below-LIM rates among seniors from 37 percent in the early 1970's to 6 percent in 2000. His paper attempts to identify who the remaining 6 percent of seniors are. He uses 2004 data from the Longitudinal Administrative Database for his analysis. He finds that this 6 percent of Canadian seniors is "disproportionately immigrant, female, currently unmarried, and supporting dependent children" (p.1). He observes that a below-LIM rate of 6 percent is low compared to other Luxemburg Income Study countries but acknowledges that the Canadian

RIS tends to push seniors just above the LIM's 50 percent of median income threshold. If the threshold were to increase to 60 percent, Canada's below-LIM rate would be 17 percent. The article does not focus solely on those with limited residency, so that the comparisons could speak to adequacy of Canada's RIS overall.

Picot and Sweetman (2005) assesses the rising gaps between immigrants and non-immigrants through a review of literature. In referencing Picot and Hou (2003), the authors discuss low-income trends in the three largest cities where immigrants tend to settle. More specifically, they state that between 1990 and 2000 low-income rates "rose 1.9 percentage points in Toronto, 3.1 points in Vancouver, and 0.3 points in Montreal" (p.14). Based on an observation of immigrants' settlement patterns, the changes to low-income rates in these cities appear to be concentrated among recent immigrants. The authors also state that changing availability or use of social transfers can affect low-income rates, but they do not expand on this point.

Xuelin Zhang (2003) examines the economic assimilation of immigrants through an analysis of wealth data available in the 1999 Survey of Financial Security. The author defines wealth as the difference between total assets and debts. He finds that recent immigrants have lower levels of wealth than comparable Canadian born families. The family wealth theory would assume that a family also has its own lifecycle and that at an early stage a family may have few assets but several debts. With time, families are able to acquire assets and pay down debts. The 1986-1999 cohorts had lower accumulation of wealth than immigrants who arrived to Canada before 1976.

In *A Portrait of Seniors in Canada*, Turcotte and Schellenberg (2007) provide an overview of demographic and income trends among seniors overall drawing on Census 2000 data. Their data on elderly immigrants is useful in understanding how many immigrants are of concern. In 2001, "29% of individuals aged 65 to 74 and 28% of those aged 75 to 84 were immigrants" (p. 271).[6] Among the elderly immigrants a large share were long-term immigrants, as only a small share of new immigrants are seniors.[7] In terms of geographical

[6] Census 2001 found that there were 3,888,550 seniors (aged 65 and over) in Canada. With an average of 28.4 percent (1,104,348) of these seniors identified as immigrants. Of these senior immigrants about 10.6 percent (116,865) had arrived to Canada in the preceding 10 years.

[7] Census 2006 finds that 37,360 or 3.4 percent of immigrants who have arrived to Canada in the last five years are over the age of 65. Since 1996, 78,280 or 4 percent of new arrivals were over the age of 65. Since 2001 there has been a slight decrease in the number of new senior immigrants.

distribution, the vast majority of immigrant seniors live in Ontario, Quebec and British Columbia. Unattached recent senior immigrants are even more likely to be in low income. This parallels low-income trends among unattached seniors in Canada overall. However, the paper finds that recent immigrants are much less likely to live alone. The low-income rates among recent immigrants' economic families were higher than it had been for their predecessors. It was found that immigrants retire later in life and that recent immigrants were less prepared then non-immigrants for retirement and more likely to retire involuntarily.

Dempsey (2004) investigates market and retirement incomes of immigrants in Canada. Using data from the longitudinal immigrant database, the author compares the situation of those who immigrate to Canada at age 60 or older and those who have been in Canada for a while before reaching their senior years. The author identifies a relationship between sources of income and time in Canada. Short-term seniors are more reliant on market income such as earnings. Long-term immigrants tend to receive more of their income from private sources such as pensions and investments. Trends in category of entry are also examined. Skilled category entrants are more likely to rely on market income while parent or grandparent entries rely on retirement income. Of these, medium-term and short-term parents and grandparents received a larger share of their retirement income from non-contributory sources. In a similar article, Dempsey (2005) finds short-term immigrants had a higher incidence of employment earnings and a lower incidence of transfer payments prior to the 10-year mark. After the 10-year mark, there is a noticeable shift from employment income to retirement income. "Refugees had on average very low incidence of employment earnings … the lowest incidence of investment income… [and] the highest incidence of provincial supplements" (para. 24). This relationship reflects the lack of constraints on drawing income assistance compared to family class entrants.

The literature confirms that length of residence does influence accumulation of wealth and income source. It is more likely that one with limited residency would not have enough time to contribute significantly to the C/QPP plans or any employer based private pension plan. Contribution and years of residence from another country may be recognized to meet eligibility requirements for Canadian benefits in some cases through international reciprocal social agreements. These exist mainly with traditional source countries in Western Europe and the Caribbean, but few agreements exist with new source countries including most of Asia, Africa and Latin America. As a result, those from non-traditional source countries are more likely to be working and earning income into their senior years. Private savings or investments are transitory supports as senior newcomers engage in dissaving (Baker, 2002). This reflects the important trends surrounding country of origin identified in the studies above.

With regard to entry class, family class entrants are expected to be cared for by their sponsor; their reliance on provincial programs is less than it would be for refugees and economic immigrants. Generally, where the federal retirement income system does not provide support, the province or family does. The family's financial obligation to an elderly sponsored immigrant may bring it under strained circumstances (Baker, 2002).

4.2 A SLID Profile

From the Survey of Low Income Dynamics (SLID) 2004, all cases of respondents over the age of 65 with no OAS and income before-tax of below $96,843 were selected.[8] There were 9,739 respondents 65 years of age and over. Of these 236 were not receiving any OAS income. Those with before-tax income in excess of $96,843 are excluded to account for the fact that they are most likely receiving no OAS as a result of a complete reduction in benefits. With all the filters the sample was reduced from 55,216 cases to 176 cases. These 176 valid cases were used to run simple cross tabulations and could be representative of 93,860 members of the population after applying cross sectional weights.

Of the remaining population, 63 percent were male and 37 percent were females. These sample characteristics would go against many identified trends in the general population that find\more elderly woman than men. The majority, 66.7 percent were married, while another 15.6 percent were widowed. Fifty-three percent identified themselves as immigrants, 26.8 percent of them having been in Canada for less than 10 years. About 72 percent came from urban areas with a population greater than five hundred thousand. Respondents resided across the country with 16.5 percent from Quebec, 40.6 percent from Ontario, and 21.8 percent from BC. For the selected populations, 26 percent received the majority of their income from private retirement pensions, for 23.3 percent the major source

[8] "This analysis is based on Statistics Canada's Survey of Labour and Income Dynamics Public Use Micro data, which contains anonymized data collected in the Survey of Labour and Income Dynamics. All computations on these micro data were prepared by Christina Santini. The responsibility for the use and interpretation of these data is entirely that of the author Christina Santini".

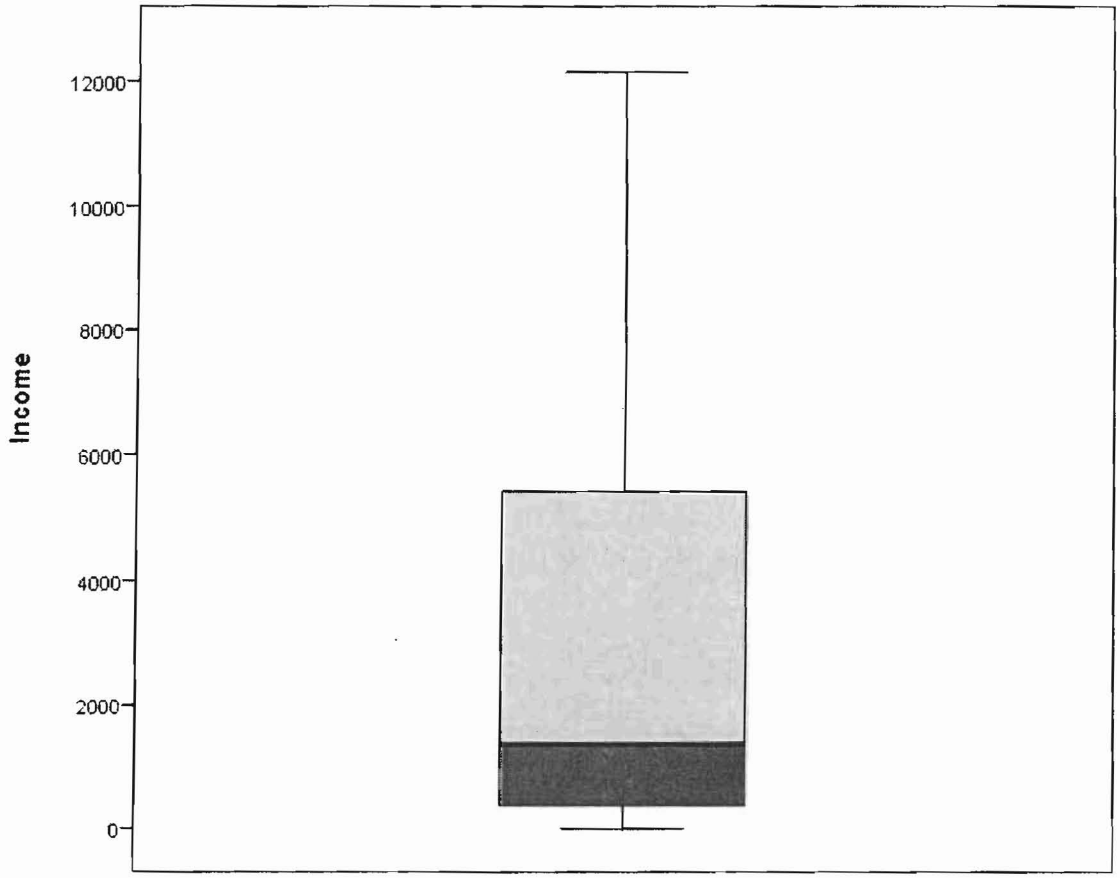
of income was government transfers other than OAS, and for 19.3 percent the major source of income was investments.

Cross-tabulations were next used to examine the same characteristics but looking solely at those who had resided in Canada for less then 10 years. Twenty one cases remained representing a survey population of 25,146 when cross-sectional weights were applied. Of those with less than 10 years of residence in Canada, 51.2 percent were male while 48.8 percent were female. The majority (54 percent) were married, while 29 percent were widowers and 17 percent were divorced. All in the sample population lived in large urban centres with a population greater than 500,000. Ninety-one percent lived in a two or more person household. Of the sampled population 62 percent came from Ontario, 29.7 percent came from British Columbia, and 8.3 percent were from the Prairie Provinces. Unfortunately, there are no cases from my third case study, Quebec, the territories, nor any of the Maritime Provinces. Caution should be exercised in using this survey population to represent all immigrant seniors with limited residency population as some would have been excluded. There are also no respondents from smaller cities or rural areas.

Government transfers were the major source of income for 61.4 percent of the survey population, 15.4 percent mainly relied on earnings, 8.6 percent on investments and 5.7 percent reported receiving no income. Even though government transfers were the major source of income for 61.4 percent of the sample population, 81.3 percent did not receive any social assistance and all received no OAS and C/QPP benefits. Tax-delivered transfers like GST, HST and provincial tax credits provided some income to most of the respondents.

The maximum before-tax income declared by any recent immigrant was $12,150, well below the LICO for 2004. The mean income was $3,856 and the median income was $1,375. Figure 4.1 below shows the inter-quartile distribution of before-tax income for recent senior immigrant not receiving OAS benefits. Each quartile represents 25 percent of the sample population. As the figure demonstrates, the bottom two quartiles representing 50 percent of our sample population have before tax income below or equal to $1,375.00. Another 50 percent of respondents had a widespread income distribution ranging from $1,375 to $12,150.

Figure 4.1 Before-Tax Income of Recent Senior Immigrants



As we can see, there are several differing trends between our whole sample population and those within it that have less than 10 years residence in Canada. The proportions of females and widows are larger among the limited residency population. These have been identified vulnerable groups in general low-income seniors literature. Limited residency respondents were solely located in the largest urban areas and many lived in households of two or more people. Their sources of income vary greatly, as few cite investment or private pension as their major source of income. Most senior immigrants with limited residency rely on government transfers for income, but these transfers are not necessarily social assistance benefits. This small reliance on social assistance is in line with expectations, given sponsors' financial responsibility in the case of sponsored immigrants.

The data reflect trends identified in the literature: most recent immigrants live in large urban centre, with nuclear or extended families, and rely on public transfers. These factors will frame the context for later sections of my analysis.

5: Income Security Programs for Seniors

5.1 The Old Age Security Program

5.1.1 Historical Evolution of Jurisdiction, Purpose and Benefits[9]

Four key factors have influenced the evolution of Canada's retirement income system (RIS) including constitutional jurisdiction, financial capacity of governments, politics and social values. As the federal government was able to create a jurisdictional role for itself, expand its bureaucracy and accumulate revenues from new sources,[10] it began developing the three-pillared RIS that is an international success today. Expanding the right to vote and public engagement have also proven to be a source of influence. These four factors and their influence are briefly covered in the following section on retirement income policy development.

The federal government's initial involvement in retirement income security was through a cost sharing program with the provinces under the *Old Age Pensioners Act* of 1927. Industrialization was a motivating factor for the introduction of the old age pension as movement to the city limited self sufficiency and hindered family networks that had existed in agricultural communities. These trends resulted in an increased demand on poor houses and charitable services.

The old age pension was a provincially run income-tested program that provided a basic pension to British subjects aged 70 and over. Naturalized Canadians of at least 15 years who had lived in Canada for 25 years could also be eligible (MCC, 2007). On top of federal requirements, there was also a provincial residence requirement of 5 years. These residence requirements were gradually reduced and some even eliminated.

The 1927 old age pension benefit was $20 a month ($240 annually). Annual income could not exceed $365 if single, $490 for a couple with one pensioner and $730 for a couple

[9] This section was partly informed by a comprehensive background available on the Museum of Civilization of Canada website available in collaboration with HRSDC (hereafter MCC, 2007).

[10] New sources of revenue have included business, sales and income taxes.

with two pensioners (MCC, 2007). A single senior's benefit was reduced dollar for dollar when annual income was in excess of $125, until it was completely phased out.

The benefit was not immediately available in all provinces, as some took more time to enter into the scheme because of lack of funding or existing alternate measures. The federal government increased its share of the cost sharing agreement in 1931 from 50 percent to 75 percent (MCC, 2007). But during the depression it encouraged the provinces to be stricter when applying eligibility requirements and determining benefit amounts. The government could also recover benefits from the estate of a deceased pensioner. The stringent targeting practices of the Old Age Pension program, increased recognition of seniors' contributions to society and limitations with old age would motivate reforms for a universal program— the Old Age Security program.

Even with the *Old Age Pensions Act,* retirement income security policy fell within provincial jurisdiction until an amendment to the *British North America Act (s. 94A)* in 1951 allowed the federal government to make laws in relation to old age pensions. Shortly thereafter, the *Old Age Security (OAS) Act* came into force establishing a federally funded pension program. As part of this new system, the *Old Age Pensioners Act* would provide an Allowance to those 65 to 69 years of age.

The 1952 *OAS Act* provided a basic universal OAS pension of $40 a month. It was payable to subjects 70 years of age or older, with 20 years residency immediately preceding the approval of their application or twice the length of any gaps in the 20-year period and one-year immediately preceding approval of application (MCC, 2007). The OAS pension was originally financed by an earmarked 2 percentage point increase in personal and corporate income tax rates. The earmarked taxes were eliminated in 1972 at which point the OAS pension was funded through general revenues, and it is now the second largest government expenditure after the federal public debt charges.

Since 1952, there have been several amendments to the *OAS Act* to reflect evolving needs of Canadian seniors. Throughout the mid to late 1960's the age requirement for the OAS decreased one year at a time from 70 to 65 years of age. This decrease paralleled a gradual phase out of the Allowance provided by the *Old Age Pensioners Act,* thereby eliminating the provinces' fiscal obligations.

In 1975 the federal government introduced the Allowance program (ALW) to provide support for couples when only one person was eligible for OAS/GIS and the other was aged between 60 and 65 with little to no other income. Over the years it was modified, first, to provide support for those who were subsequently widowed, and then, in 1985, to all those who had been widowed, regardless of the age of their spouses at the time of death. The extension is known as the Allowance for Survivors (ALWS). The benefits were extended to common-law partners in 1985 and to same-sex, common-law partners in 2000 (MCC 2007). Benefits payable depend on annual income of the applicant or, in the case of a couple, the combined income of the applicant and the pensioner (Service Canada, 2006).[11]

The non-taxable Guaranteed Income Supplement (GIS) was introduced in 1967 as a temporary transitional measure to provide help to pensioners who would retire before they could benefit from the creation of the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP). The GIS was originally intended to be in place up until the time that adults contributed more fulsomely to the CPP, but by 1971 it was recognized that the GIS was a necessary source of additional income for segments of the population who were unable to make adequate contributions to the CPP during their working lives.[12]

The GIS benefit amount a pensioner receives depends on their marital status and a sliding scale of annual income level. The maximum supplement is payable to pensioners who have no income other than the OAS pension. Any additional income from sources besides the OAS pension affects the monthly benefit level of the supplement at a 50 percent reduction rate.[13] The maximum supplement amount was originally set to be 40 percent of the OAS but is now well above the OAS benefit.

In 1977, a provision created a formula to calculate a partial OAS pension "at the rate of 1/40th of the full OAS pension for each year of residence in Canada after age 18" (Maser

[11] Residency requirements also apply to allowance benefits.

[12] These groups include the disabled, the chronically unemployed or underemployed, and unremunerated caregivers and homemakers (MCC, 2007).

[13] There is a GIS earnings exemption of 20% up to a maximum of $500; the 2008 budget announcement stated the intent to increase this annual earnings exemption to $3,500.

and Bégin, 2003, p.27).[14] For payment of the partial pension, citizens and legal residents aged 65 years and over within Canada would need to meet a minimum residence requirement of 10 years.[15] This was also the year when OAS and CPP benefits were included in international reciprocal social security agreements. Social security agreements could count time spent in one party's country to be eligible for social programs in the other.[16] Therefore, someone who comes from a country with which we have a social security agreement and has lived in Canada for three years would receive 3/40th of the full OAS pension. Their pension is pro-rated so that it can grow for each additional year spent in Canada up to 10 years. At this time the supplement was "conditional on being in receipt of a full pension" (Baker and Benjamin. 2002 p. 6).

Since 1984, "If a person is receiving a partial Old Age Security pension, the maximum Guaranteed Income Supplement may be increased by the difference between that partial pension and the full Old Age Security pension" (HRDC, 2001, p. 14). Along with the OAS pension, the GIS ensured that eligible Canadian seniors' overall incomes would not fall below a specified minimum income. As a result anyone eligible for an OAS pension, even if it is only a prorated 3/40^{ths} or 10/40th would still be eligible to receive the full OAS/GIS through a top up by the GIS. The top up amount would be non-taxable as it is delivered as an extension of the GIS, but it would also be subject to the 50 percent reduction rate like the supplement is for any additional income (Baker and Benjamin, 2002).

Since 1996, the cited minimum income guarantee is provided only to those with a minimum of 10 years residence in Canada. The formula in the current legislation pro-rates the GIS benefits much as it does the OAS pension. The maximum GIS benefit is divided into 10 shares. For each year a low-income pensioner resides in Canada, they gain another share of the supplement. After 10 years of residence they would be entitled to the maximum GIS benefit if they receive no other income. This pro-rated supplement would apply only to those who meet

[14] For a full pension 40 years of residence within Canada after the age of 18 is required. Exception: If applicant was 25 years of age and over on July 1, 1977 with some residence in Canada or in procession of a valid immigration visa they could receive a full pension. One would reside in Canada 10 years immediately preceding an application or for three years in Canada for every year absence during this period and the year immediately prior to application for a full pension, after the age of 18 (Service Canada, 2006)

[15] This provision did not apply to those aged 25, who lived in Canada as adults, at the time of its enactment.

[16] Agreements are negotiated between countries with comparable systems.

the eligibility requirement through reciprocal agreements and who have not been in Canada for 10 years.

In 1989, the government introduced a targeting provision under the *Income Tax Act.* The OAS pension was reduced for higher income pensioners. This repayment was initially collected through annual tax returns, and as a result the OAS pension was more like an "interest free loan" (Battle, 2003 p.7). Today if the pensioner is a Canadian resident the deduction is based on the previous year's tax return and is taken at source as a reduction in OAS pension monthly benefits paid. In 2007, the OAS repayment begins if a pensioner's net world income is greater than $63, 511 and declines to zero pension at $103, 191.[17] For pensioners residing in countries without tax treaty with Canada, 25 percent of the benefit could be withheld at the source, until they provide an assessment of international income.

The program's benefits are complemented by benefits from the second pillar, which consist of Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) benefits, and the third pillar including private savings, investments, private pensions and the likes. As will be seen later, provincial supplements may be available for low-income seniors.

It is important to note that from its earliest version, the OAS program had some form of residency requirement. The GIS is tied to the OAS, and its residence requirement is in effect. While the ALWS is not tied to the OAS, it does have a minimum 10-year residence requirement and a minimum age requirement.

5.1.2 Today's First Pillar: Eligibility and Benefit Determination Summarized

Table 5.1 shows the effects of additional income on the GIS and the minimum income guarantee for different lengths of residence. Those who have resided in Canada for less than 10 years would receive a prorated GIS. The key difference is from what component of the program these benefits come. Benefits from the GIS or the GIS top-up are all reduced by one dollar for every two dollars of outside income. With an annual income of $6,000, annual GIS/GIS top up benefits are reduced by $3,000, or $250 monthly. With an income of $12,000, GIS/GIS top up benefits are reduced by $6,000 or $500 per month. Having the majority of one's pension benefit coming from the GIS components rather than the basic

[17] This includes total income derived from sources such as employment, business, pensions, rental property and investments minus allowable deductions.

OAS pension affects the claw-back on income. Seniors now receive different benefit levels. Years of residence in Canada and the equivalent shares of the OAS pension one receives is untouched until outside income rises above the repayment threshold.

Table 5.1 Monthly Benefits by Years of Residence[18].

Years of Residence	3 years, No reciprocal agreements	3 years + Agreement (3/40)	20 years, (20/40)	40 years, (40/40)
No Other Annual Income				
OAS	$ 0	$37.67	$251.16	$502.31
GIS	$ 0	$329.60	$634.02	$634.02
GIS top up	$ 0	$0.00	$251.15	$0.000
Total Benefit	**$ 0**	**$367.27**	**$1,136.33**	**$1,136.33**
Annual $6,000 of Other Income				
OAS	$ 0	$37.67	$251.16	$502.31
GIS	$ 0	$79.60	$634.02	$384.02
GIS top up	$ 0	$0.00	$1.15	$0.00
Total Benefit	**$ 0**	**$117.27**	**$886.33**	**$886.33**
Annual $12,000 of Other Income				
OAS	$0.00	$37.67	$251.16	$502.31
GIS	$0.00	$0.00	$385.17	$134.02
GIS top up	$0.00	$0.00	$0.00	$0.00
Total Benefit	**$0.00**	**$37.67**	**$636.33**	**$636.33**

Today the OAS consists of three core programs including the basic OAS pension, the Guaranteed Income Supplement (GIS) and the Allowance for Spouses (ALW). Table 5.2 below summarizes the components of the OAS programs discussed briefly through the historical overview. It includes the maximum benefit and income cut-offs for October 2007.

[18] Calculations have been undertaken using October 2007 maximum benefits payable (Service Canada, 2007 b). As there is an earning exemption in the GIS that excludes 20 percent of earnings up to $500, earnings are not considered as part of other income in this table. The supplements formula used is included in Appendix A. The calculation of supplement payable (GIS and GIS top up) is based on the difference between the maximum OAS/GIS benefit and the actual OAS pension of pensioner.

Table 5.2 Federal OAS Program Components, October-December 2007

	Federal Retirement Income Support Programs [19]			
	OAS Pension	**GIS**	**Allowance (ALW)**	**Allowance for the Survivor (ALWS)**
Purpose	Provides a basic pension to eligible Canadians	Guarantees OAS pensioners a minimum level of income	Income assistance for a spouse or common law partner of a GIS client	Income assistance to low-income survivors
Eligibility	Seniors, aged 65 or older, with a minimum of 10 years of residence in Canada or its equivalent	Low- income, full or partial OAS pensioner	Spouse or common law partner of an OAS/GIS pensioner aged 60-64 with little to no income who meets OAS residence requirements	Survivors with little to no income, aged 60-64 who meets OAS residence requirements and have not remarried or entered into a common-law relationship
Maximum Monthly Benefit Amount (October 2007)	Full Pensions: $502.31	Single $634.02 Spouse/ Common-law partner of: A Pensioner $418.69 A Non-Pensioner $634.02 An Allowance Recipient $418.69	ALW $ 921.00	ALWS $1,020.91
Maximum Annual Income Cut-Offs (October 2007)	N/A	Single $15,240 Spouse/Common-law partner of: A Pensioner $20,122 A Non-Pensioner $36,528 An Allowance Recipient $36,528	ALW $28,176	ALWS $20,520
Reduction / Repayment Rate[20]	Basic OAS benefits are taxed back at a rate of 15 percent of personal net - income in excess of $63,511 the OAS pension is completely recovered at an income of $103,191	Maximum monthly supplement is reduced by $1 for every $2 of income received in the previous year	OAS equivalent is reduced by $3 for every $4 additional monthly income; when the OAS equivalent is reduced to zero, the GIS equivalent is reduced by $1 for every $4 of additional monthly income	OAS equivalent is reduced by $3 for every $4 additional monthly income; when the OAS equivalent is reduced to zero, the GIS equivalent is reduced by $1 for every $2 of additional monthly income
Payment Abroad	Indefinitely after 20 yrs of residence	For up to six months after departure	For up to six months after departure	For up to six months after departure
# of Beneficiaries	4.4 million beneficiaries[21]	1.6 million beneficiaries	63,592 beneficiaries	28,952 beneficiaries
2007-08 Forecasted Expenditures	$25 billion	$7.4 Billion	$546 Million	

[19] Service Canada. *Income Security Program Information Card (Rate Card): October – December 2007and January-March 2008,* rates remained unchanged in the two quarters, number of beneficiaries are as reported in last quarter of 2007.

[20] The GIS/ALW/ALWS reduction rate is based on individual (for singles) or combined income (for Couples) of the previous year with some exclusions (OAS pension, provincial supplements, Child Tax Benefits, C/QPP death benefits, Social Assistance, are not considered income).

[21] Of these, 352,500 (8 percent) received partial benefits and 4,065,651 (92 percent) received full benefits (HRSDC. 2007, Table 33)

5.2 Developments Surrounding Residency Requirements

The 1977 amendment to the *Old Age Security Act* phased in favourable provisions for many seniors with limited residency, including immigrants. The new formula provided partial pensions for those who could not meet the requirements for a full pension, which had previously been twenty years. Additionally, through international social security agreements one could fulfil residence eligibility requirements of the OAS. Social security agreements could count contributions under another country's pension program towards eligibility for Canadian programs. These agreements could also be utilized by anyone currently living in Canada who has lived or worked outside of Canada and wishes to access benefits from that country.

Canada has concluded agreements with over 50 countries so far. Each agreement can have varying terms and provisions. Agreements have been pursued with countries that have a comparable pension system that can be co-ordinated with Canada's. Factors affecting co-ordination include diplomacy, sustainability of public pension schemes and administrative capacity. However, the pension benefit amount a senior receives depends solely on years of residence in Canada.

Even with a reciprocal agreement, the majority of the target population would not be eligible for these benefits, as they have entered through the family class. Family class immigrants are the responsibility of their sponsors, who have agreed to undertake them unconditionally.[22] During the term of the agreement, sponsored seniors may not receive income assistance from either the federal or provincial government. In the event that a sponsored immigrant does receive income assistance from the government, the government may seek repayment of these benefits from the sponsor. The benefits paid out become a debt of the sponsor. Only in the event of sponsorship breakdown can an individual benefit from federal or provincial income security programs. Sponsorship breakdown is deemed to occur in the event of:

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[22] The undertaking is an unconditional promise of financial support from the date of arrival to10 years from the date that person becomes a permanent resident, 3 years in the case of a spouse or common law partner. "The granting of Canadian citizenship, deterioration of a sponsor's financial situation, or a relationship breakdown or moving to another province does not cancel the undertaking." (CIC, 2005, para. 25)

"(*a*) the death of the sponsor;

(*b*) the sponsor's conviction of an offence under the *Criminal Code* relating to the sponsored individual;

(*c*) a determination that the sponsor is a bankrupt as defined in section 2 of the *Bankruptcy and Insolvency Act*; and

(*d*) the sentencing of the sponsor to a term of imprisonment of more than six months" (CanLII, 2000, s. 22.1 (1)).

A previous omission had allowed sponsored immigrants who became Canadian citizens to become eligible for benefits immediately if eligible through international social security agreements. Bill C-36 addressed this omission by applying the 10-year sponsorship rule to all sponsored immigrant seniors for OAS benefits. This was the government's attempt to treat all sponsored immigrants equally. The approach undertaken to address perceived benefit inequities was to extend the existing restriction. As a result, all sponsored immigrants have to wait until their sponsorship agreement expires before they become eligible (Canada News Centre, 2007).

Non-sponsored immigrants may qualify for prorated OAS/GIS or Allowance benefits under a social security agreement. Their entitlement grows gradually for each year of residence, over 10 years.

Over the years, several people have claimed that the 10-year residence rule for OAS eligibility is discriminatory and violates the Canadian *Charter of Rights and Freedoms*. The courts have upheld the residency requirement to qualify for the OAS programs and the acquisition of credits to meet that requirement through international social security agreements.

The current design requires some attachment to Canada before acquiring a lifetime benefit funded though general tax revenue. The rationale for imposing the residence requirement has its limits. If Canadians with limited residency just fall onto social assistance, are they not still dependent on the public purse? The only difference is which coffers the money comes from—the federal or provincial treasury.

Then again, some may argue that the level of benefit and rationale associated with them are different. As will be demonstrated the maximum OAS/GIS benefit is greater than provincial income assistance benefits. The federal OAS basic pension is based on year of residence in recognition of contribution to Canadian society, while the GIS provides a minimum income floor for these OAS pensioners. Provincial assistance programs on the other hand are not based on past contribution or attachment. They are available to all legal residents with limited means and whose circumstances would require last resort financial assistance.

The other debate that can arise from this discussion is whether the sponsorship obligation regulations are appropriate. This subject is not addressed in the current paper, but the financial capacity of a sponsor to provide financial assistance for the duration of their undertaking is a policy consideration that will be considered later.

5.3 Federal-Provincial Division of Responsibilities

Income security has typically been within the provincial government's jurisdiction, but with *s. 94A of the Constitution Act* the federal government acquired the authority to legislate with respect to pension income and supplementary benefits irrespective of age. Any federal legislation is not to affect the operation of any provincial legislation. in the period since 1951, the federal government has expanded its role by designing and administrating both the CPP and the OAS pension. The OAS and CPP have alleviated demand on provincial income support programs. Individuals receiving OAS/GIS pension benefits are generally not in receipt of benefits from social assistance schemes.

In 2007, the OAS pension was provided to 4.4 million seniors in all, and the supplement was provided to 1.6 million clients (HRSDC, 2007, p. 50). The total cost was $24.7 billion for the OAS and $7.35 billion for the GIS (HRSDC, 2007, p. 46). The program caters to 97 percent of Canada's senior population.[23] The remaining three percent were either ineligible because of high-income or limited residency, or they were eligible but had simply failed to apply.

As demonstrated in the historical overview, RIS costs have shifted from local and charitable poor-houses to federal-provincial cost-sharing pension programs and later to a federally funded pension scheme. Retirement income security is not an issue of buck passing, but rather one of fiscal capacity. Fiscal capacity has always been a factor when developing

[23] Percentages are found by dividing the number of OAS beneficiaries within Canada (4,300,840 in December 2007 (HRSDC, 2007 pg. 52)) by the number of seniors aged 65 and over in 2007 (4,423,400 (Statistics Canada, 2007)).

income security programs. As a result, expanding retirement income security programs that shift costs from one level of government to another should be associated with improved fiscal capacity. The federal government has been generating surpluses, which have been tied with fiscal capacity and an increased expectation to spend. Could spending on this population be a future priority? The current concerns with reforming the OAS residency requirement from 10 to 3 years *ceteris paribus* are the associated costs projected to be as much as $700 million annually in the initial years (Hansard, 2007, a and b). This would further alleviate demand on provincial income support programs and decrease costs for the provinces.

The federal and provincial governments share responsibilities with regard to immigration (*s. 95 of the Constitution Act*). Provinces can legislate within their borders although federal legislation takes precedence. The federal government handles the selection and administration of immigration and refugee applications. Quebec has its own procedures as established in the agreement, *Immigration: The Canada-Quebec Accord.* Quebec can select its own foreign immigrants and refugees, but once in Canada, the newcomers are mobile. There are bilateral co-operation agreements in place between most of the other provinces including British Columbia and Ontario and the federal government. The federal government consults with the provinces when revising immigration or refugee policies, programs, and numbers of foreign nationals who become permanent residents for each entry class.

The provinces play a role in integration and settlement services. They provide language training, health care, and other programs that immigrants can access. The bilateral agreement can include provincial provision for nominee programs, where the provinces set criteria for a category of entrants. In general provinces seek to reduce their financial exposure and maximize their benefits from immigration. While the federal government does provide partial funding much of the costs for the settlement programs, language training and related services provides by the provinces, fall to the provinces.

In 2006 there were 6,911 new immigrants over the age of 65 (CIC, 2007 b), most of whom were not eligible for OAS/GIS benefits. The following section will elaborate on provincial income support for seniors, including benefits that would be available to those with limited residency who are mainly immigrants. Different entry classes of immigrant may face different barriers to access the benefits.

6: Provincial Programs

Although the federal government has carved itself a role in the provision of old age income security, its residence-based programs result in some seniors falling onto provincial social assistance programs. This section looks at the benefits provided to those who are eligible and ineligible for OAS/GIS benefits in three provinces: Quebec, Ontario and British Columbia. Section 6.1 demonstrates a complementary provincial role in providing support for OAS/GIS recipients and offers a discussion of the maximum benefit level and the provision of an income floor. Section 6.2 will examine the social assistance schemes on which seniors with limited residency may rely. I shall compare the key design components across the jurisdictions. The components measured in this case study analysis include benefit eligibility, benefit level, and purpose. I shall also compare the benefit levels provided to seniors with full OAS/GIS and those relying on social assistance.

6.1 Provincial Top Ups

All provinces with the exception of Quebec and Prince Edward Island offer pension top ups for seniors that are generally income tested. These top ups effectively raise the net benefit for those with the lowest level of income without affecting their OAS/GIS benefit. These supplements are generally contingent on the receipt of OAS/GIS.

Ontario's supplement, known as the Guaranteed Annual Income System (GAINS), is administered by the Ontario Ministry of Revenue. The program guarantees a minimum income to eligible Ontario seniors. The benefit is payable when the OAS/GIS and all other sources of income fall below the level guaranteed by the province. Eligibility requirements include permanent residence in Ontario for the preceding 12 months or 20 years after turning 18, and applicants must be in receipt of GIS and aged 65 and over.

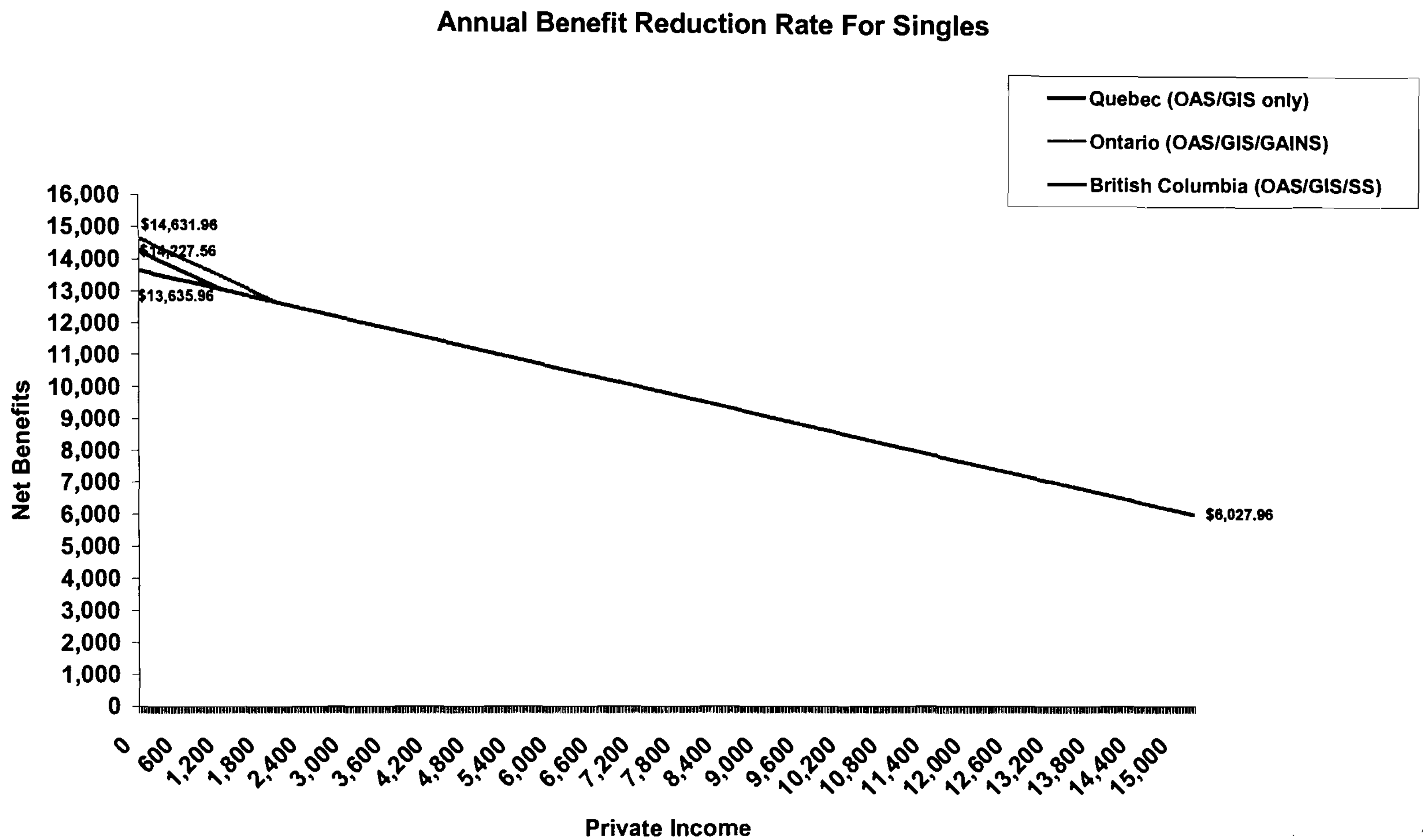
The amount of GAINS received every month is contingent on the beneficiary's monthly GIS benefit. As a result, like the GIS, the GAINS benefits are determined by an individual's annual income tax declarations. For every two dollars of additional income the GIS is reduced by a dollar. Since Ontario's GAINS benefit maintains a minimum income, there is a parallel reduction in the provincial supplement until the benefit is completely phased out. The minimum monthly benefit is $2.50 and the maximum payable is $83.00.

In the case of British Columbia, the Seniors Supplement is delivered through the Ministry of Employment and Income Assistance as provided for in the *Employment and Assistance Act*. It is also contingent on annual declarations of clients' income obtained from the Canada Revenue Agency. Much like the Ontario GAINS program, its intent is to guarantee a minimum income for seniors eligible to receive the GIS and Allowance.

The maximum benefit payable by BC is $49.30 for singles and $120.50 for couples ($60.25 each). The benefit rate is determined based on the recipient's income tax return or their initial declaration on their application form for GIS benefits. An individual's BC benefit is based on their GIS benefit level. If beneficiaries experience a change in income, they can apply for an adjustment to their GIS benefits and thereby their Senior Supplement. There is a $50 per family exemption on Veterans Affairs Canada benefit. The recipient must have applied for all other benefits for which they are eligible such as the CPP, workers compensation, and so forth. The guaranteed minimum income level is the sum of the maximum OAS/GIS and Seniors Supplement.

The maximum benefit payable and the effects of an additional dollar earned are displayed in *Figure 6.1* for federal, Ontario, and BC programs. For provinces without a seniors supplement, like Quebec, the relationship of benefits to income would be characterized by the OAS/GIS line alone.

Figure 6.1 Income Tested Federal and Provincial Benefits



The sole difference between the two supplement programs shown above is their maximum benefit level, their delivery, and the fact that BC Seniors Supplement also extends to Allowance recipients. Provinces that do offer supplements would have similar requirements, but some notable cases include Newfoundland and Manitoba. Newfoundland has an income top up for seniors that also extends to social assistance beneficiaries. Manitoba has not only an income supplement for OAS/GIS pensioners but also an income supplement for low-income persons over 55 years of age. The latter benefit can supplement social assistance benefits and is based on family net income rather than means.

The reason that I introduce the provincial senior supplements is to bring to the discussion two points. By offering a seniors supplement on top of the federal minimum income guarantee for seniors, a province indicates that it feels a higher income floor is appropriate for seniors within its jurisdiction. So how do these new benefit levels compare to those offered by income assistance schemes in these provinces for non-sponsored seniors who are not eligible for OAS?

6.2 Social and Income Assistance Programs

Seniors who are not eligible for OAS/GIS benefits could have recourse to provincial social or income assistance schemes.[24] In the case of limited-residency seniors, sponsored immigrants would not be able to benefit from these programs while their sponsorship agreement is active without penalties to their sponsors. Refugees may be able to benefit depending on whether they are federally assisted. Economic class entry immigrants would be eligible if they fulfill the means test.

Some provinces provide assistance programs for seniors through their disabilities programs, while others have a special designation for seniors in the employable programs, and some do not make any clear distinctions based on age. Even when they are in the employable or basic category, the expectation to work does not necessarily apply. The work expectations the program holds towards its senior clients varies from province to province.

The provinces have different means tests and exemption levels as well as maximum benefits payable. Furthermore, some provinces add shelter allowances to the base benefit

[24] Income assistance and social assistance are two terms that are used interchangeably. Quebec refers to its programs as social assistance and BC uses the term income assistance, but they are both means-tested and income-tested programs for last-resort income support.

separately, while for others it is included in the basic benefit. There are a wide range of programs or subsidies that recipients may gain through the receipt of social or income assistance. The analysis that follows will consider only the basic and shelter benefits.

Transitory programs such as BC hardship assistance are limited in duration. These temporary assistance programs assist individuals who need time to meet the citizenship or other requirements for the income or disability assistance. These benefits are generally designed to meet essential needs of beneficiaries. For those who fail to fulfil the citizenship requirement or those who are facing sponsorship default, re-application for continued benefits is required after a set amount of time.

A brief overview of the programs will follow along with a summary of key components. This section will conclude with a comparison between the provincial program benefit levels and OAS/GIS benefits.

6.2.1 British Columbia

British Columbia's Ministry of Employment and Income Assistance administers the employment and income assistance programs. These programs aim to "move people toward sustainable employment and assists individuals and families in need."[25] Eligibility is based on income, assets and shelter cost. There are certain income and asset exemptions allowable but no earnings exemption. For example, a single person can have $1,500 in assets and $150 in cash, while couples can have up to $2,500 in assets and $250 in cash. The maximum value of a car owned by a beneficiary is $5,000. Generally an OAS/GIS pensioner would not be eligible on account of their income level, but a member of their family unit could be.

Those aged 65 and over are covered as a special part of income assistance. The program provides specific base rates for singles, couples or families where one adult is aged 65 and over and another if both members of couple or family are over 65. These base rates (excluding shelter allowance) for seniors are higher than what is provided to any individuals younger than 65. For example, a single senior would receive a base monthly benefit (excluding their shelter allowance) of $531.42, while employable singles would receive $235, and singles with persistent multiple barriers would receive $282.92 per month. The program's design is generous to seniors with limited means. It does not oblige recipients to

[25] British Columbia, (2007 c), *Online Resources*, para. 2

seek employment and earn money, as they are considered "temporarily excused" and minimal adverse incentive effects are present in the benefit design.

The maximum shelter allowance is not affected by age but rather varies by number of people in a dwelling. For one person the maximum shelter allowance is $375 per month, while for a couple or a two-person household it would be $570. Furthermore, the maximum shelter allowance is guaranteed when a family has one member on the OAS.

6.2.2 Ontario

Ontario has two streams of income assistance, one delivered to employable individuals through Ontario Works and the other via the Ontario Disability Support Program (ODSP). As a condition of Ontario Works, beneficiaries are required to participate in employment assistance activities such as résumé and interview workshops. It assists those in immediate financial need while they move towards employment and self-reliance. Seniors in financial need who are not eligible for OAS benefits may qualify for the ODSP. The ODSP provides both income and employment support as well. Participation in employment support is voluntary rather then required like it was under the Ontario Works program. To qualify, individuals need to be residents of Ontario and in financial need, which would mean they were not receiving the OAS/GIS.

Benefit amount can vary across family size, age of dependants, geographic location and other individual factors.[26] The maximum base benefit payable for a single individual with no dependants is $554, plus a maximum shelter allowance of $445. For a couple where both individuals are over the age of 65 with no dependants, the base benefit is $1,107, plus $700 in shelter allowance. Like BC, Ontario's maximum shelter allowance is determined by unit size. ODSP benefits are greater than those of Ontario Works.

Some asset and earnings exemptions exist in the disability stream. Beyond permitted exempt amounts, additional income or assets can result in a reassessment and reduction in assistance benefit. The employment component of ODSP recognizes that disabled or elder persons can work. There are work support programs in place in partnership with community service providers that decrease barriers to the employment.

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[26] Ontario has a northern benefit rate for those living above the 50th parallel. Since most immigrants live in cities located in southern Ontario, this paper omits those rates.

6.2.3 Quebec

Quebec offers last-resort financial assistance for low-income individuals under the social solidarity and social assistance program. The social solidarity program assists those with "severely limited capacity for employment" (Quebec, 2007 b, para. 2). The social assistance program on the other hand caters to those with no severe limitations to employment. Severe limitations, whether psychological or physical, need to be attested by a recognized medical professional and can be considered in combination with an applicant's "socio-occupational profile" (Quebec, 2007 b, para. 4). A senior immigrant could fall under either designation depending on individual characteristics.

There is a base benefit to which other amounts or supplements can be added depending on the beneficiary's needs (i.e. dependent children, temporary limitations etc.). Under both programs, Quebec's base benefits are higher than the base benefit in the other provinces. However, unlike the other provinces, Quebec does not provide a separate shelter allowance. In the other two provinces seniors fall into a favourable category, while Quebec does not differentiate by age.

For the social assistance programs, the base benefits for a single individual are $551, while under the social solidarity program an individual could receive $838.[27] For two adults who receive social assistance benefits the maximum benefit could be $854, while under the social solidarity program it would be a maximum of $1,253. Benefits are both income and asset tested. To be eligible for benefits from either program, one must be an adult Quebec resident. Some income, earning and asset exemptions do exist; among these are a $200 earnings exemption and $100 income support exemption in the income assistance program.

6.2.4 Comparisons

Some differences in programs noted above included the design of benefit schedules and whether shelter allowances are incorporated into the base benefits. The maximum benefit levels across jurisdictions are compared including the shelter allowance with the basic amount for Ontario and BC.

[27] These amounts exclude the Quebec Sales Tax benefit.

As can be seen in table 6.1, the ODSP provides the highest level of benefits for its recipients followed by BC. Quebec's social solidarity and social assistance schemes provide the least benefits of the three provinces examined. These all are less than the minimum income guaranteed by the OAS, GIS and provincial supplement payable where applicable. The difference between payments under the minimum guaranteed income and the social or income assistance schemes are generally between $200 and $300 per month. The outlier is the Quebec social assistance scheme where the benefit difference exceeds $585.

We should keep in mind the array of supplementary benefits contingent on the receipt of social or income assistance. OAS/GIS clients are not always able to access benefits delivered through or contingent on these provincial assistance programs. OAS/GIS clients can also benefit from some provincial income programs relating to pharmacare, housing and the like if they meet the income or means requirements of these programs. These may in effect increase the value of benefits received by low-income beneficiaries of public assistance programs depending on take-up and individual circumstances, but they will not be reflected further in this analysis.

Table 6.1 Monthly Benefit Levels for Singles, 2008

Program	BC Income Assistance	ON ODSP	QC Social Assistance	QC Social Solidarity
Max Monthly Benefit				
Singles	$906.42	$999	$551	$838
OAS/GIS/provincial supplement	$1,185.63	$1,219.33	$1,136.33	$1,136.33
Difference from OAS/GIS	- $ 279.21	- $ 202.33	- $ 585.33	-$ 298.33

Source: Quebec 2007 a; Ontario, 2007 a and b: British Columbia, 2007 a and b

The conception of an appropriate minimum income floor evidently varies across jurisdiction. This may reflect the anticipated needs, presence of other programs and cost of living in each respective province. The minimum income ensured by programs varies in accordance with their intended purpose. When age is seen as a disability and the benefit amount is larger, then the obligation to seek employment is less. The lower the benefits, in theory, the more one would have an incentive to seek employment. BC income assistance provides an age-specific benefit level through the employable category. This affects the types of exemption, contingent programs and supplement beneficiaries could have recourse to.

Seniors are still a small share of social assistance clients overall. In 2005, of over 348,000 clients in Quebec and 106,000 in British Columbia, less than 1 percent were 65 years of age and over. Fewer than 5 percent of Ontario's ODSP beneficiaries were over the age of sixty-five; of these, 7,100 were on the benefit because of age while the remaining 3,000 were cited as disabled. There were also 900 senior clients of Ontario Works. This age-related demand on the social assistance program reflects the effect of Canada's first tier pension system, as they must apply for all eligible benefits. The discrepancy between the proportions of social assistance clients across jurisdictions may be related to the high concentration of seniors with limited residence residing in Ontario as identified by the literature and our SLID sample.

Table 6.2 Number of Beneficiaries, March 2005

Program	BC Income Assistance	ON ODSP	QC Assistance
Number of recipients			
Age 65 and over	1,000	10,100	2,900
As a % of all clients	0.94%	4.85%	0.83%

Source: HRSDC (2006) Social Assistance Statistical Report 2005.

A summary of key components of the top-up and social assistance programs discussed above is presented in Table 6.3. The reduction rate is a concept that can apply more generally to provincial top ups that parallel changes in the GIS. Exemptions of certain assets or income do exist in social assistance schemes, but these provisions are complex. As a result a simple reduction rate does not apply, and maximum income cut-offs are not clear. A single figure cannot encompass all income and asset sources.

Table 6.3 Provincial Programs for Seniors, 2008

	Provincial Retirement Income Support Programs [28]					
	British Columbia		Ontario		Quebec	
	Senior's Supplement	**Employment and Income Assistance**	**Guaranteed Annual Income System**	**Ontario Disability Support Program**	**Social Assistance**	**Social Solidarity**
Purpose	A guaranteed minimum income	Assist individuals and families in need	A guaranteed minimum income	Income supports those most in need	Last resort assistance for employable low-income individuals	Assistance for low-income individuals with limited capacity to work
Eligibility / Recipients[29]	BC resident, 60 and over, receiving OAS/GIS /ALW	65 and over, and not eligible for OAS/GIS benefits, who qualify financially	Permanent resident of Ontario, 65 and over, receiving full or partial OAS/GIS	Permanent resident of Ontario, 65 and over who qualify financially and are not eligible for OAS	Quebec resident, aged 18+, who qualify financially	Quebec resident, aged 18+, with severely limited capacity to work who qualify financially
Reduction Rate	Adjusted at the same rate as the GIS - a reduction of $1 for every $2. The EMTR is 100% when combined with a reduction in GIS.	Based on income source and individual circumstances	Adjusted at the same rate as the GIS with a reduction of $1 for every $2. The EMTR is 100% when combined with a reduction in GIS.	Based on income source and individual circumstances	Based on income source and individual circumstances	Based on income source and individual circumstances
Maximum annual Income Cut-Offs	Single $1,183.20 ALW recipient $1,183.20 Pensioner Married to: Non-Pensioner $1,446.00 ALW recipient $1,446.00 Pensioner $1,446.00	Some income and asset exemption permitted; no earnings exemption	Per person $1,992 Per couple $3,984	Some income and asset exemption permitted; an earning exemption is present.	Some income and asset exemption permitted including a $200 earning exemption	Some income and asset exemption permitted including a $100 earning exemption
Maximum Monthly Benefit Amount[30]	Single pensioner $49.30 ALW recipient $49.83 Pensioner Married to: ALW $60,25 Pensioner $60.25	Single $906.42 Couple, one recipient $1270.56 Couple, two recipients $1519.06	Per person $83.00 Per couple $166.00	Single $999 Couple, one recipient $1,521 Couple, two recipients $1,807	Single $551 Couple $854	Single $838 Couple $1,253

[28] Figures taken from provincial program websites, (Quebec 2007 a; Ontario, 2007 a and b: British Columbia, 2007 a and b).

[29] Figured can vary for families with children but these are omitted for the purpose of this paper and comparisons of OAS/GIS benefits. For all social assistance schemes alternatives for meeting basic needs must have been exhausted.

[30] For Ontario and BC, benefits combine the basic benefit and shelter benefit.

7: Residence Requirement in International Comparisons

A study by the OECD reviews the pension programs of 28 countries and finds, unsurprisingly, that retirement pension schemes vary from country to country. They do not all have a universal public basic pension scheme such as the OAS. Some programs are not solely income-tested but rather resource-tested schemes and include asset tests such as those in Canadian social assistance schemes. Some countries' first tier pension policy approach leans towards a public minimum income scheme, which can be similar to resource-tested schemes but also have provisions for a pension floor (OECD, 2007).

Many Scandinavian countries require 40 years of residence for a full old-age pension but offer prorated pensions for shorter periods of residence with a minimum eligibility requirement of 3 years. The pensions are complemented by targeted benefits. Several other countries much like Canada have a 10-year requirement including Korea and Luxembourg, while other nations' benefit programs require 15, 25 or even 40 years of association. In addition, different measures of determination may be used, as some programs require contribution or the accumulation of credits rather than years of residence.

A few other countries rely on their social assistance schemes to provide for low income seniors within their borders rather then a basic pension. This is the case in Germany and Italy. These benefits are available to low-income residents including pensioners with pension income below the social assistance level (OECD, 2007).

By international comparisons, the OAS program is reasonable in that it provides a lifelong public pension with only 10 years of residence. There is also some international precedence for pro-rated benefits after three years of residence. But, one should be cautious when examining international examples, as the historical and social factors that have affected the development of these systems is never the same in any two countries. The population and political dynamics as examined in the historical overview influences program design.

8: Public Views

Public values have motivated policy development in Canada's retirement income system. As seen through the historical overview, they were integral in establishing Canada's pension system and defining its design. Public social values have contributed to various reforms including expanding benefits coverage. These have also limited previous governments' attempts to introduce cost containment measures. Opposition to reform have led to the abandonment of re-introducing an indexation ceiling in 1985 and the Seniors Benefit proposal presented in three consecutive budgets which would have reformed the whole OAS program.

Social values and the rise of senior and immigrant lobby groups will continue to influence policy direction in the years to come, especially with an aging population representing a larger electoral base. Any changes going against popular support or social values will need to be justified, but even the excuse of sustainability has not always been easily accepted. The following will review arguments that have emerged in the media, and debates in Parliament with regards to income security for those with limited residence in Canada as presented by interested parties. This will touch on topics of societal obligation, family obligations, suggested reforms to the OAS program and provincial practices. The views arise from two positions. There are those who represent the interest of senior Canadians with limited residency, and others who support the current program structure. But counter argument and consideration are present within each section. These findings will sketch a picture of today's debates and how they could influence policy reforms in the near-term future.

8.1 Advocates for Senior Canadians with Limited Residency

Immigrant Seniors Advocacy Network (ISAN)[31] partners and the Old Age Benefit Forum, among other groups, have called on the government of Canada to amend the *OAS Act* to reduce the residence requirement to 3 years. They have submitted over 10,000 signatures petitioning the government to act. This petition also requested that the federal government work with the provincial governments to waive the enforcement of sponsorship obligations through cost-recovery schemes of financial support payouts.[32] Coleen Beaumier (Liberal MP, Brampton West) introduced a private member's bill to effectively reduce the residency requirement from 10 to 3 years. Maria Mina (Liberal MP, Beaches-East York) and Olivia Chow (NDP MP, Trinity-Spadina) among others have voiced support for the bill.

Argument presented by Beaumier in the House of Commons on May 11, 2007, when moving for a second reading of Bill C-362, were along the lines that the residency requirement created two classes of senior citizens, families and communities. It tied quality of life with income and dignity. But many policies and programs have eligibility requirements that result in two groups – the haves and the have-nots. Eligibility conditions for entitlement are often need-based, but at other times benefits are granted in recognition of past contributions to society.

ISAN has also raised the issue of the provinces enforcing financial obligations even among poor sponsors. Others, like MP Dave Van Kesteren (Conservative, Chatham-Essex-Kent), refer to their families' understanding of the rules: if they sponsor their parents, they have an obligation. But groups like ISAN would argue that there is value to family reunification including stabilization and knowledge. This raises another interesting angle to the debate. If a sponsor undertakes financial responsibilities for another individual, should they not have the means to support themselves, their family and the sponsored senior? Why would a poor person be able to sponsor another if the current sponsorship requirements require sufficient assurance of income adequacy? Are these measures sufficient or should

[31] ISAN is comprised of the Chinese Canadian National Council Toronto Chapter, African Canadian Development Social Council, Council of Agencies Serving south Asians and the Hispanic Development Council. Other public supporters include the senior Network BC the Seniors Summit, Women Elders in Action.

[32] House of Commons, 2007: Alternative Planning Group, 2006.

they be revised? Does family reunification outweigh income adequacy? This paper will not seek to answer all of these questions, but they are considerations in my subsequent analysis.

In the course of these debates, some MPs discussed the basis on which residency requirements were established and whether these are arbitrary. The same question can be raised concerning any number of residence years required. Why three years? Key rationales for setting residence requirements have been tied to speculations as to how much time it would take to create an attachment to Canada, establish adequate contribution to the society that provides the benefits, and limit potential abuse.

8.2 Advocates for the Current Structure

In debates of May 11, 2007, Lynne Yelich, the parliamentary secretary to the Minister of Human Resources and Social Development Canada, spoke of the OAS program as a pinnacle to the functioning of the public retirement income system. As seen in the preceding discussion on OAS benefits, the GIS and its guarantees are tied to eligibility for OAS. Furthermore, all the 50-plus reciprocal agreements that have taken years to negotiate were based on the current design. The changes proposed by Bill C-362, it was said, would require the renegotiations of these agreements. Looking at the grand scheme of things, she advocated caution when suggesting reforms with such implications.

Residence requirements ensure that those who have had a stake in building the country and are attached to it are taken care of. A minimum period of time might be deemed appropriate before being granted the right to a lifelong public benefit funded out of general tax revenues.

Bill C-36, which received royal assent in 2007, reinforced the financial obligations of sponsors and a commitment to the 10-year residency rule. It foreshadows that the government of the day is not prone to waive sponsorship obligations at the provincial level if it has recently reinforced them. As a result, even if the residence requirement were to be reduced, this would not necessarily mean that all immigrants would access OAS/GIS benefits, particularly if sponsorship obligations are still in effect. In sum, there are many facets to be considered for any suggested policy reforms.

9: Policy Objectives and Alternatives

9.1 Policy Objectives

It is possible that no one policy option is adequate to address objectives targeted to such a heterogeneous population. It could be preferable to adopt a package of options. The objectives of the policy options would be to:

- Improve income adequacy of Canadian seniors with limited residency and little or no other income;
- Limit detrimental effects to existing beneficiaries that could result in future income adequacy concerns among new segments of the population;
- Maintain financial sustainability in the system;
- Not distort economic choices and limit gaming behaviour.

The first objective can generally be measured by whether the actual income of a senior with limited residency would increase. There may be initiatives that increase access to goods, services or assets, but unless these become monetized as income they do not help meet this objective.

Whether the detrimental effects are limited is determined by gauging the change in benefit levels and access to benefits for current beneficiaries. This is extended to future beneficiaries who would have fallen under the program's existing conditions. The long-term effects of costs to the income security system are part of the third objective, sustainability. Increasing take-up, expanding the beneficiary base or increasing benefits can all impact sustainability of the system.

Finally, any changes undertaken should anticipate and limit possible distortion of economic choices or gaming in the system. That is, a program's reform should not create an indirect incentive to be more reliant on the income security system or change one's behaviour because of program changes. More specifically the aim is to limit perceived potential abuse.

9.2 Policy Alternatives

9.2.1 Policy Alternative I: Status Quo Plus

Maintaining the status quo would mean that there is no change in sponsorship regulations, OAS residency requirements, or income benefits provided by the provinces. Inaction would provide time for the enactment of reforms in Bill C-36 to have some impacts. The impacts are that more sponsored individuals who would have been eligible for benefits under reciprocal agreements now will not be. This is likely to increase these individuals' reliance on family support networks.

Some initiatives resulting from past committee reports and recent budgetary announcements are already in progress. These include measures to improve take-up of government benefits for seniors and increased funding to the New Horizon program that funds senior community engagement initiatives.

Existing community outreach measures to improve take-up of OAS/GIS also provide the newly registered beneficiaries' access to GST/HST and provincial sales tax credits.[33] These are a benefit of tax filing for low-income individuals. It is possible to build on this initiative by promoting tax filing, and it benefits all seniors regardless of whether they qualify for the OAS/GIS. This venue is appropriate, as the SLID data identified refundable tax credits as a source of income for members of this population who have applied. Granted, the reason why some have yet to access these credits may be because they have yet to be in Canada long enough to file an income tax return.

The Federal-Provincial New Horizon program funds senior not-for-profit community initiatives. Interested organizations can apply to the program for funds in response to provincial calls for application. Community partners in the major urban areas should be encouraged to propose initiatives that will actively engage low-income seniors in the community. These community-based enterprises could reflect linguistic, physical and any other limitations that this population may face in the regular labour market. Social enterprises

[33] The take up-initiative through federal officers would apply regardless of province. The basic federal GST benefit is $237 annually with no dependents or partner. To this we can add provincial credit benefits which vary from province to province with BC basic benefit at $75 and Ontario at $100. An individual would apply for these provincial benefits when submitting their annual benefit and income tax declaration to CRA. In Quebec, the beneficiaries would receive it as a result of completing their provincial benefit and income tax declaration. The maximum Quebec credit payable is $291.91 annually for individuals living alone. The credits are payable to residents.

could allow all participating seniors to acquire skills and self-assurance that can lead to increased earnings potential. It would be rare that these not-for profit community programs could provide income to seniors.

9.2.2 Policy Alternative II: Sponsorship Policy Review

The literature identified that many low-income Canadians with limited residency enter through the family class. To sponsor a family member, the sponsor must be a "Canadian citizen or permanent resident, aged 18 or over, and living in Canada" (CIC, 2005, para. 1). As part of the application process, sponsors must sign an undertaking agreement attesting that they will provide for basic requirements including food, accommodations and clothing for the specified period. For the federal government the minimum income requirement to sponsor a relative is the low-income cut-off for urban cities with a population over 500,000 as shown in table 9.1. [34]

Table 9.1 Low Income Cut-Offs, 2008

LICO - Effective Until December 31, 2008	
Size of Family Unit	**Minimum Income[35]**
1 person (the sponsor)	$ 21,202
2 persons	$ 26,396
3 persons	$ 32,450
4 persons	$ 39,399
5 persons	$ 44,686
6 persons	$ 50,397
7 persons	$ 56,110
> 7 persons, for each additional person add:	$ 5,713

Source: (CIC, 2007 a)

The sum of the sponsor, each member of their family, and any previous sponsored undertakings determines the number of "persons" in a household and the income cut-off that applies. Officials assess available income through the applicant's most recent CRA notice of assessment and the last 12 months employment history. The limit with this current design is that it does not anticipate future changes in available income nor does it reflect seniors' consumption patterns.

[34] Sponsors are exempt from the minimum income requirement when sponsoring dependent children, spouses, conjugal partners, and common law partners but they are still under the obligation to financially provide for them. (CIC, 2005)

[35] Gross income from Canadian sources.

The proposed option would adapt a component of the Quebec model for determination of income in the administration of the *Immigration and Refugee Protection Act and Regulation*. Quebec has an annual minimum income requirement based on sponsor's family unit size and requires additional income to meet basic needs of the sponsored person and their family members that vary by age and number of persons.[36] Even Quebec's system fails to distinguish seniors from the adult population.

For this analysis, an additional income requirement of $10,000 per senior above the LICO base requirement is suggested. This would effectively increase the minimum income requirement for sponsors of future family-class entrants, thus reinforcing assurances that the sponsor has the ability to fulfill their responsibilities once the senior arrives in Canada. This would also address the trend identified by Baker (2002) that the sponsors themselves become more reliant on income transfers.

The second change would be to add to the sponsorship agreement a specification that any social assistance payment given to sponsored immigrants by provinces can be recovered from the sponsor with interest. In cases now being pursued in court, sponsors challenge repayment on the grounds of lack of knowledge of these provisions. However, the provinces have claimed that they are not obliged to provide such information, as it is already a clear part of the obligations.

9.2.3 Policy Alternative III: Guaranteed Minimum Income

The next two options are variations of a private member's bill (C-362), put forth by MP Colleen Beaumier (Liberal, Brampton West). The fist would amend the *Old Age Security Act* by reducing the minimum residence requirement from 10 to 3 years. The change in residence requirement would allow all non-sponsored citizens with a minimum of 3 years of residence or its equivalent to receive a prorated OAS pension that could grow over 10 years.

Combined with a change in the definition of specially qualified individuals and a change in the denominator of the special qualifying factor in determining GIS benefits, these

[36] It distinguishes between adults (above 18 years of age) and dependent children (below 18 years of age). Greater detail is provided in Appendix B.

new OAS beneficiaries would gain access to the maximum GIS and GIS top up.[37] Those with 3 years of residence in Canada would have a minimum income guarantee. Those who are in Canada for less than 3 years but can meet the eligibility requirement through a reciprocal agreement would get a prorated GIS. The pro-rated benefit amount would be determined by the number of years of residence in Canada over a denominator of 3. These amendments would mean they meet the minimum residence requirement for the minimum income guarantee sooner. Moreover, they would provide a higher prorated GIS benefit than the current formula. Those with 3-9 years of residence in Canada would benefit from the minimum income guarantee once the amendments come into effect.

9.2.4 Policy Alternative IV: Prorated Benefits

The second variation of Bill C-362 is limited to amending the residence requirement. This would allow all non-sponsored citizens and legal residents with a minimum of 3 years of residence in Canada to receive a prorated OAS pension of 1/40 per year of residence in Canada that could grow over 10 years. If in low-income, they could be eligible for a pro-rated GIS benefit. In this scenario the minimum 10-year residence requirement for a guaranteed minimum income would remain in place. The benefit level provided by this option might be less than what is available under some provinces' social assistance, meaning pensioners could receive benefits from both programs. This would also minimize costs and negative effects on sustainability for the federal government retirement income system, while alleviating some burden from the provinces.

[37] Changes in the minimum residence requirements, the definition of "special qualifying individual" and " special qualifying factor" would also impact ALW and ALWS requirements as well as reduce the length of residence in Canada required immediately prior to the assessment of applications (referred to in section 5.1.1. footnote 14).

10: Measuring and Evaluating Policy Alternatives

The proposed policy options will be evaluated based on the criteria and measures cited below. These criteria fall into four general categories: effectiveness, public support, administrative burden or costs, and cost of benefits. Numerical rakings demonstrate how each option fares on each criterion, and the detailed explanation that follows will provide the rationale behind the rakings.

10.1 Criteria and Measures

Effectiveness: Within this category, effectiveness of the policy alternatives is evaluated. Effectiveness is measured by the extent to which each policy option would achieve the intended objectives. The optimal policy would achieve all four established objectives. Target efficiency will also be part of this category and measured by the extent the proposed options serve the targeted population. This will entail an examination of whether the options are too exclusive by catering only to a segment of the target population or over-inclusive by serving unintended segments of the wider population. The ideal option would directly serve the intended population of current and future seniors with limited residency.

Public Support: This criterion will gauge whether each policy alternative is acceptable or can be made acceptable to relevant groups. In this context, a policy option should strike a balance between the perceived burdens on the system and the social value of income adequacy. This is examined through the rationales of the policy options and their intended purpose based on public and political perception. For maximum ranking in public support, the option would have to strike a balance between the two points of views. The minimum ranking would be attributed to a policy option that alienates both sides, while the range in between would gauge the balance and trade-off between the interests of the opposing groups.

Administrative Burden and Cost: This criterion will examine implementation ease of the policy option through the intergovernmental (federal-provincial) and interdepartmental relationships. The legislative change component will be measured by whether a policy option requires amendments to many established acts and regulations. The simpler it is to legislatively implement the policy option, the better its ranking. The financial responsibility component will look at the shifts in costs between federal and provincial governments of each option relative to the status quo. The more the option departs from the existing balance of financial responsibility, the lower its ranking. The delivery of a proposed option falls under the administrative ease component. It will be measured by the extent proposed reforms require administrative changes to the existing delivery structure. The less change that is required, the better the ranking.

Cost of Benefits: An estimate of relative cost among the policy alternatives will be deduced from an examination of expected beneficiaries and benefit amounts where applicable. Costs could be relatively low with a targeted option that includes only administrative costs. Costs may be high if major reforms to programs included unintended beneficiaries or high benefit payouts. Low-cost alternatives will receive higher rankings.

Table 10.1 Criteria and Measures

Criteria		Description	Measures
Effectiveness	**Efficiency**	The extent to which the option would achieve the intended policy objectives	1= 1/4 2= 2/4 3= 3/4 4= 4/4
	Target Efficiency	The extent to which the targeted population is served by the proposed options (relative ranking of options)	Low - High 1,2,3, and 4
Public Support		Acceptable to Canadians overall (relative ranking of options)	Low - High 1,2,3, and 4
Administrative Burden and Cost	**Legislative Change**	Required amendments to established acts and regulations (relative ranking of options)	Low - High 1,2,3, and 4
	Financial Responsibility	Federal-provincial division of financial responsibility (relative ranking of options)	Low - High 1,2,3, and 4
	Administrative Ease	Means of delivery or implementation (relative ranking of options)	Low - High 1,2,3, and 4
Cost of Benefits		Expected benefit payouts (relative ranking of options)	Low - High 1,2,3, and 4

10.2 Evaluation of Policy Alternatives

This section will assess each of the policy alternatives with respect to the criteria and measures. The final sub-section will include an evaluation matrix summarizing the findings of the analysis and an elaboration on the rankings.

10.2.1 Policy Alternative I: Status Quo Plus

Effectiveness

The changes proposed would improve income adequacy depending on the seniors' individual characteristics. If the senior has already filed an income tax return, chances are they are already receiving federal and provincial tax credits. Relatively few additional seniors would benefit from these take-up initiatives. Participation in community projects will depend on whether a senior is in contact with a participating organization. Although both initiatives (increasing take-up and setting priorities for the New Horizon program) have added value, they do not significantly increase disposable income among seniors with limited residency. Moreover, not only does this option suffer from under-inclusion but also from over-inclusion. Front-line outreach officers and programs provide information on a multitude of federal services that reach the whole population. Community engagement programs may be designed to seek participation of the targeted group, but these programs can also benefit other seniors. This is a constructive consequence, but the initiative is not targeted to our intended population.

The GST/HST and provincial tax credits take-up initiatives will not affect current beneficiaries. Influencing the priorities for evaluating projects' requests for funding to the New-Horizon program when available funds are limited will result in trade-offs. In any given year new priorities may result in some projects not get funding while others do. However, these priorities are reviewed annually.

The amount distributed by the New-Horizon program is only what has already been allocated to the program. Take-up on tax credits would increase, but the sums of these are not so large as to generate sustainability concerns. Furthermore, much of our target population is already in receipt of this benefit. In the event that credit payouts are high, governments can change tax policy with greater ease than a cash benefit program administered by a line department. Since the *Income Tax Act* is not changed, there are no incentive effects that were not already present. The New-Horizon priorities may have organizations adjust their program proposals to meet them, but the required documentation could limit abuse.

Efficiency	**2.5**
Target Efficiency	**4**

Public Support

Proponents advocating on behalf of seniors with limited residency would not reject this approach. But they would not be satisfied as it fails to address the central problem. Some members of the public may not like the New Horizon program priorities of allocating funds. But the programs that do receive funding should be open to other segments of the seniors population. The change affects only which types of projects are funded and the likelihood of some segment of seniors participating.

Public Support	**4**

Administrative Burden and Cost

Each province has a review committee that establishes the New Horizon program funding priorities of projects and announces them in a call for applications. These committees establish priorities based on the identified needs within their borders. No legislative changes are required as there is already a system for annual reviews of priorities in each jurisdiction.

This initiative would build on existing mechanisms. The federal government would merely encourage provincial review committees to identify seniors with limited residency as a priority, without any obligation to conform. Provinces could provide application information packages to the targeted groups. It may be difficult for the federal government to secure agreement from the provinces' review committees.

Higher take-up may increase payout of credit and program funding, but the payout comes from the original responsible authority. No significant shifts in financial or administrative costs would arise, as there will be no extension of services or increased administrators. Information packages will require only directives to educate seniors on tax credits.

Legislative Change	**4**
Financial Responsibility	**4**
Administrative Ease	**4**

Cost of Benefits

No increases in budgetary allocation are required for the priority setting of the New Horizon funding. There will be somewhat greater demand for credits with increased tax filling, but most of the eligible population are already in receipt of these benefits.

Cost of Benefits	3

10.2.2 Policy Alternative II: Sponsorship Policy Review

Effectiveness

A review of sponsorship policy would reduce the probability of a sponsor's family experiencing strained financial circumstances from their responsibilities to the undertaken. It is a holistic approach that fails to directly increase the disposable income and self-sufficiency of immigrant seniors. Since this policy option does not change RIS or provincial program benefits, there would be no detrimental impact to existing beneficiaries. This option does not affect immigrants already in Canada, only future prospective sponsors of family members.

There would be a positive long-term change in terms of sustainability of the RIS through a reduced probability of sponsorship breakdown through bankruptcy and consequently demand on federal and provincial income support programs. This policy is an intervention on the sponsor and not the seniors themselves. As a result, the income requirement could decrease sponsorship of seniors and other family members which would negatively affect family reunification. It could distort a sponsor's choice as they will select to sponsor a younger family member or one approaching old age but who would not yet be subject to the additional income requirements.

Although the majority of our target population has been found to be sponsored immigrants, this policy is exclusive as it does not cater to all seniors with limited residency. Refugees, economic class entrants who have had a change in financial circumstances and those born Canadian who have lived abroad for most of their adult lives do not reap any benefits from this option as they are not subject to the sponsorship agreements in question. The age specification limits direct over-inclusion effects, although sponsors may have reduced means to sponsor another person.

Efficiency	**2**
Target Efficiency	**3**

Public Support

Groups like ISAN and MPs who have presented arguments for the value of family reunification would have objections to this policy proposal. It would limit the ability to sponsor elders and pursue family reunification. Those in support of the current income security program structure could be satisfied that no change affecting them has been undertaken, and the repayment obligations of the sponsor have been clarified. This provides some general reassurance as families who sponsor a senior will have a reduced risk of falling onto the public purse. Nevertheless, even among them, there could be concerns that more stringent sponsorship regulations would affect future immigration levels and patterns.

Public Support	**1**

Administrative Burden and Cost

The change to sponsorship requirements would affect the applications process and eligibility determination in the federal government's legislation and regulation. Some consultation with the provinces would be required before undertaking legislative change. Quebec would have the option of seeking this reform for itself. This reform would not change the effective obligations of sponsors, such as length of undertaking. Those types of changes could affect provincial regulations and programs to a larger extent.

The clarification of the sponsor's financial obligations on the sponsorship agreement form would be a procedural change. The appropriate text would need to be drafted, vetted, and forms would need to be printed and replace their predecessors and updated online. Current manuals would have to be revised and those evaluating the applications would require training around the new guidelines. The provinces may need to revise any reference to the current requirements in their documentation. The existing regulations allowing provinces to seek repayment would be reinforced, limiting future litigation. They could also gain in the long-term through reduced program payout and contestation of repayment obligations. In the end, however, the federal and provincial division of financial responsibilities would not change.

Legislative Change	**1**
Financial Responsibility	**3**
Administrative Ease	**1**

Cost of Benefits

This intervention does not include any direct payouts to beneficiaries. Tighter financial standards for sponsorship could lead to long-run financial savings for both levels of government in decreased reliance on a wide range of income support and in-kind benefit programs.

Cost of Benefits	**4**

10.2.3 Policy Alternative III: Guaranteed Minimum Income

Effectiveness

The change in income source and benefit level would improve the income adequacy of seniors with limited residency depending on their province of residence and how many years they have resided in Canada. The intervention would change the benefit level determination for those with 3 to 10 years of residence, effectively providing them with a minimum income guarantee equal to that provided to long and intermediate term Canadians. Moreover, individuals who were not eligible for social assistance because of the means test may still be eligible for the OAS/GIS; at the very least they could receive a pro-rated OAS.

On its own the policy would not create detrimental effects to current beneficiaries. There is no tightening of eligibility requirements or cutbacks in benefit payouts. In actuality some current prorated GIS beneficiaries would gain access to the minimum income guarantee. The effects of this on sustainability would be a concern for federal general revenues as the amount of benefit paid out would increase as the number of eligible seniors increases. This may result in future general revisions to the OAS programs, tax policies or other areas that could suffer as a result of trade-offs.

Changes in retirement income security provision can increase Canada's appeal to future elder immigrants. Since the sponsorship obligations are still active there are limits to behavioural effects and costs. Mainly senior spouses or common law partners who become legal residents would be able to benefit from these amendments as their undertaking agreement is in effect for only 3 years following receipt of permanent residence.

This policy would target all seniors with limited residency, and the supplement's design would ensure that those in low income get the most help. Since the sponsorship obligations are still in effect and most elderly immigrants enter through family class, these individuals would not access the benefits. The overlap between immigration and OAS policy would mean that a large segment of our intended population would not access the benefits.

Efficiency	**2**
Target Efficiency	**2**

Public Support

There is strong support for this type of action from those representing seniors with limited residency. This option does stop short of relieving pressure from sponsors. Those arguing for the status quo may feel that 3 years is not enough of an attachment and contribution to Canada to have a right to a lifelong pension. However, beneficiaries with less than 20 years of residence in Canada are not entitled OAS or GIS benefit payments abroad beyond six months from the time of departure from Canada. This may encourage continued residence in Canada.

Public Support	**2**

Administrative Burden and Cost

The legislative change would require an amendment to the *Old Age Security Act*. Changes to the residency requirement may have an impact on some international social security agreements. An assessment of the need to renegotiate each agreement would have to be undertaken. This extension of benefits could produce some new court challenges concerning the equity in benefit provision and the obligations of sponsors.

The federal government would be taking on some of the social assistance clients from the provinces. There would be a shift in spending from provincial to federal income programs. Beneficiaries of current provincial assistance programs who would now be eligible for OAS benefits would have to apply for them. The number of beneficiaries on social assistance would decrease as a result of the minimum income guarantee after 3 years. Only those who have equivalent residency might temporarily be reliant on social assistance and OAS programs, as well as sponsorship default with less than 3 years of residence in Canada. Provinces could have to pay out more top ups to the new lowest income OAS/GIS beneficiaries. These payouts are a fraction of the maximum social or income assistance benefit. Clearly costs would increase for the federal government, but available data are inadequate to derive an estimate of the magnitude of the cost increase. In theory, the net impact on the provinces would be a decrease in their costs of supporting this group, since their top-up benefits are considerably less than their social assistance benefits for seniors.

The administration to deliver this benefit is already in place. The administrative change would entail informing frontline workers and program officers of the change in directives, updating public information tools, expanding information exchanges with Revenue Canada and the number of federal caseworkers. Demand for provincial assistance benefits would decrease among the population over 60 years of age, but there would also be an increased demand for provincial top-ups. The administrative demand on provincial system will depend on the delivery of the top-up benefits. If delivered in collaboration with the federal government through the OAS/GIS, which will already have to process an increased caseload, then administrative costs would be lower than if delivered separately through the province.

Legislative Change	**2**
Financial Responsibility	**1**
Administrative Ease	**2**

Cost of Benefits

This could be the most expensive intervention presented. The number of beneficiaries would increase, as would the number and level of benefits paid out at the minimum guaranteed income level from federal coffers. The provinces would have fewer benefits to pay out through income assistance, as the OAS/GIS minimum income guarantee would mean beneficiaries would be ineligible for provincial income assistance programs. Provinces that do provide OAS/GIS-contingent top-ups would see an increased demand and costs for these programs. Net costs for provinces would decrease, but costs overall would increase as benefit levels provided by the federal government along with provincial supplements are higher.The factor containing costs is the continued enforcement of sponsorship obligations.

Cost of Benefits	**1**

10.2.4 Policy Alternative IV: Prorated Benefits

Effectiveness

Reducing the residence requirement for pro-rated OAS/GIS benefits would increase the disposable income for some new beneficiaries now eligible for the federal government's OAS program. For others it would simply result in a change in income source between the two levels of government. They would receive pro-rated benefits from the federal government, and the balance would come from provincial assistance programs. The income level may increase slightly for the beneficiary depending on their province of residence and how many years they have resided in Canada. In Ontario the ODSP is contingent on not receiving OAS benefits; those that do receive the OAS, but only receive a small amount, would fall onto Ontario Works which provides a lower benefit amount. There would be no detrimental effects to long and intermediate term seniors.

The intervention would not change the structure of benefit determination for those already receiving benefits as well as future intermediate and long-term residents. It would allow only those with at least 3 years of residence to access some retirement benefits. The minimum ten years of residence to receive the minimum income guarantee remains. The effects of this on sustainability in the end could be a concern with an increased number of OAS beneficiaries, but the amount of benefits payable is limited. Overall the number of seniors affected would not be very large as sponsorship obligations would still be in effect and the OAS benefits provided are prorated.

Since sponsorship agreements are still active, this option would limit economic effects or gaming by the sponsors. Sponsors will remain diligent in assuming an undertaking other than for a spouse or partner. Without these agreements being applicable to OAS/GIS benefits, we could see an increase in sponsoring of seniors, who would receive some government transfers after becoming citizens or legal residents and 3 years of residence. Much as it is for the intermediate and long-term seniors, there may be less incentive to save or earn outside income as their government GIS benefit would decrease. Furthermore, the sponsoring of a spouse or partner may increase.

This policy would impact all seniors with limited residency who are not under an active sponsorship agreement. Since the intervention is a change to OAS/GIS eligibility requirements, the change in this determination would not affect other segments of the population like current working age adults or children. Some seniors with limited residency would be served to some extent.

Efficiency	**3**
Target Efficiency	**2**

Public Support

There is strong support for this type of action from those representing seniors with limited residency. This option does stop short of relieving pressure from sponsors and providing a minimum income guarantee. Those arguing for the status quo may feel that 3 years is not enough of an attachment and contribution to Canada to have a right to a lifelong pension. For those concerned about the balance of significant contribution to Canadian society and the right to a lifelong pension, there is some solace in that it is a pro-rated OAS/GIS payout. Only after 10 years of residence in Canada would immigrants be entitled to the GIS, like all others who must meet the current 10-year requirement. Regardless of changes in the residency requirement for OAS eligibility, the legislation will continue to tie the GIS entitlement to 10 years.

Public Support	**3**

Administrative Burden and Cost

The legislative change would take place with an amendment to the *Old Age Security Act* with no direct effect on other legislation. Changes to the residency requirement may also have an impact on some international social security agreements which may need to be renegotiated. New court challenges concerning the equity in benefit provision and the obligations of sponsors may arise.

There would be a slight shift in spending from provincial to federal income programs. Beneficiaries of current provincial social assistance programs could also be eligible for OAS benefits. The amount they receive in social assistance would decrease as a result of this new source of income. Moreover, individuals who were not eligible for social assistance could receive a pro-rated OAS. Costs would increase for the federal government, but available data are inadequate to derive an estimate of the magnitude of the cost increase. Costs could decrease for some provincial programs depending on their interaction with OAS benefits.

The administrative change would entail informing frontline workers and program officers of the change in directives, updating public information tools, expanding information exchanges with Revenue Canada and increasing the number of caseworkers. The declaration of income from CRA provided to the provinces would reflect the new income source of the clients and provincial benefits would similarly be adjusted. In cases where the prorated OAS/GIS benefits combined with other income are higher than the provincial tests, the provinces will have a reduced caseload and some administrative savings. On the other hand the interaction between benefits and their administration is more complex. With pro-rated benefits, seniors could end up being eligible for OAS/GIS benefits and provincial income assistance programs. This could mean that more time and attention would be required when reviewing applications for social and income assistance. There will be a greater demand on information from CRA overall.

Legislative Change	**3**
Financial Responsibility	**2**
Administrative Ease	**3**

Cost of Benefits

Reducing residence requirements for pro-rated benefits could be an expensive intervention relative to the status quo, but it is not as costly as providing a minimum income guarantee. The number of beneficiaries would increase, as would the number of benefits that need to be paid out. However, in terms of cost relative to the overall OAS/GIS program, the incremental cost is likely to be limited, since the amount of benefit entitlement is prorated and sponsorship obligations remain in effect.

Cost of Benefits	**2**

10.2.5 Comparison of Policy Options

Table 10.2 Evaluation Matrix

Criteria		Status Quo +	Sponsorship review	Minimum Guaranteed Income	Prorated Benefits
Effectiveness	Effectiveness	2.5	2	2	3
	Target efficiency	4	3	2	2
	Average	**3.25**	**2.5**	**2**	**2.5**
Public Support		**4**	**1**	**2**	**3**
Administrative Burden and Cost	Legislative Change	4	1	2	3
	Financial responsibility	4	3	1	2
	Administrative Ease	4	1	2	3
	Average	**4**	**1.67**	**1.67**	**2.67**
Cost of Benefits		**3**	**4**	**1**	**2**
Total Points		**14.25**	**9.17**	**6.67**	**10.17**
Options Ranking		**1**	**3**	**4**	**2**

As can be observed in the matrix above, all criteria were given the same weight by finding the average ranking when a criterion was analyzed through several components. This would assure that one criterion does not unduly influence the outcome. In this case, the ranking of options would not been affected by these weighting practices. However, placing different weights on the major criteria could change the ranking of the alternative policy options but would not likely displace the "status quo" option from its leading position.

None of the policy options could individually achieve all the specified objectives. Three of the four options could provide additional disposable income or increase income security. The options did not directly limit the expected benefits of intermediate and long-term residents. Sustainability of the RIS was in question for options 3 and 4.

As mentioned repeatedly, our targeted group is very heterogeneous. Most of the options excluded members of our population, particularly sponsored immigrants. In other cases, the benefits would extend to members outside of the target population. In some cases, this could be positive in that it benefits more people, but at other times it imposed constraints on others.

Interventions that stayed within one jurisdiction generally required few legislative changes. However, if that jurisdiction took on all the costs of the reform, the financial responsibility outcome was not favourable. This is the case for the latter two options. For all options, the actual delivery of the intervention did not require a large change to the administrative or bureaucratic structure. In most cases, information dissemination and a few more employees would suffice. Most costs were benefit costs, not administrative costs. The ranking of these costs for each option were relative and based on the anticipated costs for the other options.

The outcome of the evaluation is that the status quo-plus fared well in all categories. When a policy change involves little deviation from what is already in place, required administrative changes and costs tend to be low. The residency requirement has been the subject of debates and would entail significant costs and time; it is also likely to be more controversial with the general public. Future sponsored immigrants would not benefit from this change if their sponsorship agreement were still active. Regardless, the fourth option also fared well as it is less controversial and provided for a partial benefit that would only shift the financial burden from provinces to the federal government slightly. How the benefit level is determined is a key distinction. The sponsorship review would not assist the whole targeted population and could have some unmeasured and unintended social consequences. It should not be implemented alone as it would not resolve the problem in question.

11: Recommendations

The subject matter at hand is complex because the targeted population is not homogeneous. Moreover, the policy objectives themselves are complex and in some ways cross-cutting. As a result, a more holistic approach of resolving income security issues is preferable. This segues to my policy recommendations.

None of the options provided in this paper would push seniors with limited residency above low income thresholds such as the LICO, but some do improve the amount of disposable income and a comparable level of income security. With an aging population, including immigrants, we do need to be cautious about reform to our retirement income system and its long-run sustainability.

The first recommendation would be the implementation of the status-quo plus. A directive could be issued to the frontline agent to inform seniors of the benefits of filing tax returns. This will expand slightly on recent communication strategies. The federal government could proactively encourage the provincial governments review committee for New-Horizon programs to set priorities for seniors with limited residency, particularly in urban centres. The government can provide demographic information about the vulnerable groups of seniors with limited residency to each jurisdiction. These could inform the review committee's decision on whether to include this group among their list of priority areas when they launch their next call for applications. How these priorities are defined remains up to the review committee. All other regulations and procedures would remain the same. This option does not resolve the problem at hand but demonstrates the government's concern on the issue and their willingness to take some initial steps.

The second recommendation would be to introduce an additional age-based income requirement for sponsorship. This is an indirect way of addressing income security for sponsored individuals, but it is one of two means previously discussed that could reach this segment of seniors with limited residency. Introducing this additional requirement would better ensure that the sponsor is capable of financially providing for the needs of a senior adult who may not necessarily be expected to work. This would provide some assurances that the obligations can be upheld and that the sponsor's family is not facing financial strains as a result of an additional family member. Analysis on this point was limited to income and does not gauge non-monetary benefits that this additional member may provide that could result in some financial relief for the family, such as childcare.

Finally, the possibility of reducing the residence requirement—while leaving intact the definition of a specially qualified individual and the specially qualified factor so as to limit cost increases—should be examined. In my earlier discussion, a 3 year residence requirement for partial OAS eligibility was suggested; this was also raised in bill C-362 and is practiced in some Scandinavian countries. The take-up number of pro-rated benefits could assist in projecting the costs of providing a minimum income guarantee to these new and future beneficiaries.

12: Conclusions

The increasing income disparity of seniors with limited residency compared to intermediate and long-term seniors is linked to the individual's source of income. This ties to a shift in immigrants' countries of origin, the Old Age Security benefits residence requirements and sponsorship obligations. The OAS benefits and the related GIS are a major source of income for eligible seniors with little or no other income, but not all access these benefits. In the end, length of residence influences access to public transfer.

This study found that provincial assistance programs could provide for low means seniors with limited residency where sponsorship obligations are not in effect. The SLID data analysis found that most recent immigrants relied on public transfers as a major source of income. More specifically, the main source of government transfers are refundable tax credits rather then provincial assistance programs. Even when in receipt of the maximum provincial assistance benefits, individuals have incomes well below the minimum income guarantee provided by the OAS/GIS. Further, the level of provincial income support for seniors varies from province to province.

Public debates would see a greater role for the federal government but concerns remain with regard to long-term sustainability of the OAS program and what constitutes adequate attachment to Canada. This context has lead to cautious recommendations for reform including examining the possibility of reducing residence requirement for OAS pro-rated benefits. But the recommendations stop short of extending the minimum income guarantee to all at this time. All levels of governments concerned with this issue should undertake further research examining provincially specific trends among this low-income group and evaluating relevant expenditures and income-based programs. This would allow for better comparisons among jurisdictions and stronger basis for future reforms within each jurisdiction. Also further research could be undertaken to see how the tax system could be used to address income security concerns, particularly for sponsored seniors.

Some other courses of action could have been considered but were omitted. This included relieving sponsors of their obligation. This would go against the substance of sponsorship in Canada's immigration system and have extensive effects on several program areas at both the federal and provincial level. Additionally, the government of the day's course of action has gone against this trend by reinforcing sponsorship obligations, but they have not reinforced assurances that the sponsors have the capacity to fulfill them. Another option that could have been considered would be the complete elimination of residence requirements, but this course of action would not provide any assurance of attachment or period of contribution to Canada; this runs counter to the rationale for the program today as identified in the historical overview and current public views.

Several limitations to the analysis undertaken in this study should be noted. First, the SLID data analysis included just 21 cases of seniors not receiving OAS with limited residency which put into question representativeness even when cases were weighted. Second, the literature on this subject matter is macro and often national in scale, or overly micro and focussing on one immigrant group in one Canadian city. Third, federal and provincial program information came mainly from government websites, online statistical reports, acts and regulations. By examining the legislation, I found that the website program overview was not always complete and could be misinterpreted. As anticipated earlier in my study, many of the statistical figures on beneficiaries are aggregates and stated benefit levels are the maximum payable. With a heterogeneous population there is no one way to identify who they are, or how many we would be concerned about. As a result, the costs of any particular policy option could be evaluated only relative to the other options.

Appendices

Appendix A – Options 3 and 4 in Greater Detail

The amendments for policy options 3 and 4 would require changing all references in the *Old Age Securities Act* and regulations to the residence requirements themselves from 10 to 3 years. This is the case in subparagraph 3(1) (*b*) (iii), 3(2) (b), 19(1) (c) and 21(1) (b) of the *OAS Act*. For policy option 3 the definition of specially qualified individuals and special qualifying factor would need to be amended as can be seen below. This would affect the supplement benefit determination formula and resulting in increasing benefits payable.

Where the benefit formula is:

$$[(A - B) \times C] - D/2$$

And "where:

A is the aggregate of
(*a*) the maximum amount of the supplement that, but for this subsection, might have been paid to the pensioner for that month, and
(*b*) the amount of the full monthly pension;
B is the pensioner's monthly pension;
C is the pensioner's special qualifying factor for the month; and
D is the pensioner's monthly base income rounded, where it is not a multiple of two dollars, to the next lower multiple of two dollars...

"special qualifying factor" of a person for a month before April 1996 means one and for a month after March 1996 means
(*a*) one, where the person is <u>not</u> a *specially qualified individual* and
(*b*) where the person is a *specially qualified individual*, the fraction of which
(i) the numerator is the aggregate period (expressed in the number of years and, where the number of years is not a whole number, rounded down to the next lower whole number) as of the last day of the immediately preceding month, during which the individual has resided in Canada after attaining eighteen years of age, and
(ii) the denominator is ~~10~~ (3);...

"specially qualified individual" means a person who has not resided in Canada after attaining eighteen years of age for an aggregate period of ~~ten or~~ (3 or) more years other than such a person to whom a pension or allowance was payable ..."

Source: Adapted excerpts from the Department of Justice 2008.

Bill C-362 as it is currently proposed would amend the residence requirements as it is in option 4 and change the definition of qualified individual but not the denominator of the qualifying factor.

The benefit level for single pensioners using January 2008 rates are provided by Policy options 3 and 4 are provided in the table below. It demonstrates the level of income seniors with specific characteristics could be entitled to.

New Benefits Payable

Years of Residence	2 years, No reciprocal agreements	2 years + Agreement (2/40 OAS)	3 years, (OAS 3/40)	40 years, (40/40)
Option 3 - No Other Annual Income – GIS denominator of 3				
OAS	$ 0	$25.12	$37.67	$502.31
GIS	$ 0	$634.02	$634.02	$634.02
GIS top up	$ 0	$106.78	$464.64	$0.000
Total Benefit	**$ 0**	**$765.92**	**$1,136.33**	**$1,136.33**
Option 4 - No Other Annual Income – GIS denominator of 10				
OAS	$ 0	$25.12	$37.67	$502.31
GIS	$ 0	$222.24	$329.60	$634.02
GIS top up	$ 0	$0.00	$0.00	$0.00
Total Benefit	**$ 0**	**$247.36**	**$367.27**	**$1,136.33**
Status Quo				
OAS	$ 0	$25.12	$ 0	$502.31
GIS	$ 0	$222.24	$ 0	$634.02
GIS top up	$ 0	$0.00	$ 0	$0.00
Total Benefit	**$ 0**	**$247.36**	**$ 0**	**$1,136.33**

As mentioned repeatedly throughout the text, because the population of seniors with limited residency is not homogeneous, it is not possible to accurately estimate the number of potential beneficiaries and costs for each policy option. But by examining the maximum benefit payable by individual characteristics for each option, one can see that option 3 would cost more then option 4 and both would cost more than the status quo.

Appendix B – Policy Option 2 in Greater Detail

Policy option 2, changing the sponsorship requirements, is adapted from Quebec's differing income requirement. Below are the income requirements for sponsorship in Quebec. There is a basic income needed to meet the sponsor's own family's need, using a scale below the 2008 LICO used by the federal government. Instead of including the sponsored person as part of the family unit, there is a separate requirement for additional income that varies according to age.

The policy option suggested would have the federal government introduce a similar separate requirement for sponsoring senior. The sponsored person would still be counted in the family unit determination of which LICO applies plus a supplementary requirement $10,000 per sponsored person. Rather then changing the whole determination structure, in this manner the additional requirement would be an increment to the existing base. There is an intended double counting of seniors. With a supplementary requirement of $10,000 and LICO adjustment, the effective income requirement will be in excess of $15,000 per senior which is slightly higher then Quebec's expectation for all adults including the working age population.

Basic Income Required for Sponsors Own Family (Quebec)	
Size of Family Unit	**Minimum Income**
1	$19,907
2	$26,873
3	$33,178
4	$38,158
5	$42,469
For each additional dependant add:	$4,310

Source: Canadian Immigration and Citizenship 2007a.

Additional Income Required for Sponsored Person and their Family Members		
18+	Persons under 18	Minimum Income
0	1	$6,892
0	2	$10,921
For each additional person under 18:		$3,641
1	0	$14,562
1	1	$19,565
1	2	$22,091
For each additional person under 18:		$2,524
2	0	$21,353
2	1	$23,921
2	2	$25,822
For each additional person under 18		$1,896
For each additional person 18+		$6,789

Source: Canadian Immigration and Citizenship 2007 a.

The following table shows my proposed system for the federal government for different family unit sizes wanting to sponsor one senior:

LICO - Effective Until December 31, 2008		
Size of Family Unit	Base Minimum Income	Total -Base Plus One Senior ($10,000)
1 person (the sponsor)	$21,202	-
2 persons	$26,396	$36,396
3 persons	$32,450	$32,450
4 persons	$39,399	$49,399
5 persons	$44,686	$54,686
6 persons	$50,397	$60,397
7 persons	$56,110	$66,110
for each additional person add:	$5,713	$15,713

Appendix C – Detailed Evaluation Matrix

Options	1	2	3	4
Effectiveness				
Effectiveness				
Income Adequacy	N	N	Y	Y
Detrimental effects	Y	½	½	½
Sustainability	Y	Y	N	Y
Economic Distortion	½	½	½	½
Results	2.5	2	2	3
Target efficiency				
Over Inclusive	Y	½	Y (60-64)	Y (60-64)
Exclusive	½	Y	Y	Y
Relative Ranking	4	3	2	2
Political Support				
Interest of S.L.R.	2	1	4	3
Interest for RIS Sustainability	4	3	1	2
Relative Ranking	4	1	2	3
Administrative Burden or Costs				
Legislative Change				
Federal	-	Y	Y	Y
Provincial	-	Y (QC)	-	-
Relative Ranking	4	1	2	3
Financial Shifts				
Federal	-	-	Y	Y
Provincial	-	-	-	-
Both (relatively proportional)	Y	Y	-	-
Relative Ranking	4	3	1	2
Administrative Ease				
Existing delivery structure	Y	-	-	-
Reforms in delivery structure	-	Y	Y	Y
Relative Ranking	4	1	2	3
Costs of Benefits				
Increase Benefits Payable	Y	N	Y	Y
Relative Ranking	3	4	1	2

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