Relationships Between Elderly Population and Income Sources in the Urban Economic Bases of Victoria and Vancouver[1]

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Victoria and Vancouver are widely known as destinations of retired people from other parts of Canada, and Victoria generally is acknowledged to be Canada's leading retirement centre. Because these retired people are no longer in the labour force it is difficult to determine their contribution to the urban economy. Most urban economic base studies depend heavily on labour force statistics because these data are readily available from census sources and are truly comparable, being divorced from the temporal regional variations inherent in the use of dollar values.[2] This is particularly true of the comparative studies of Canadian cities aimed at describing the urban functional characteristics.[3] However, a valuable source that provides another perspective is the taxation statistics published by Revenue Canada.[4] The comparative approach can be used equally well with income data as with labour force because comparable statistics are available

[2] An example is the Victoria study: City of Victoria, *Economic Survey of Metropolitan Victoria, 1951-1981*, Department of Community Development, Victoria, June 1969.

[3] J. W. Maxwell, "The Functional Structure of Canadian Cities: A Classification of Cities," *Geographical Bulletin*, vol. 7, no. 2, pp. 79-104; J. W. Maxwell, J. A. Greig and H. G. Meyer, "The Functional Structure of Canadian Cities: A Classification of Cities," *Readings in Canadian Geography*, edited by R. M. Irving (Toronto: Holt, Rinehart and Winston, 1972), pp. 146-67; J. U. Marshall, "City Size, Economic Diversity and Functional Types: The Canadian Case," *Economic Geography*, vol. 51, no. 1, January 1975, pp. 37-49; S-Y. Li, "Labour Force Statistics and a Functional Classification of Canadian Cities," *Canadian Urban Trends*, vol. 1, edited by D. M. Ray (Toronto: Copp Clark, 1976), pp. 58-102.

[4] Canada, *Taxation Statistics*, Revenue Canada, annual reports. The statistics are compiled from personal income tax returns and may be considered as an accurate inventory of taxable income. Non-taxable income data are much less complete because those who earn less than the amount of the total annual personal exemption are not required to file income tax forms. Hence the earnings of many students and part-time workers are not reported, although a substantial number of non-taxable returns are listed in the reports. The unreported income probably is a very small percentage of the total. Figures are given for individual cities, but not for subdivisions within cities.

for all Canadian metropolitan areas since 1946. One of the goals of this study was to determine the significance of the retirement centre roles of the two cities as generators of income in the urban economic base. Another was to trace the recent changes in the relative importance of various income sources in Victoria and Vancouver, as compared with those of other Canadian cities.
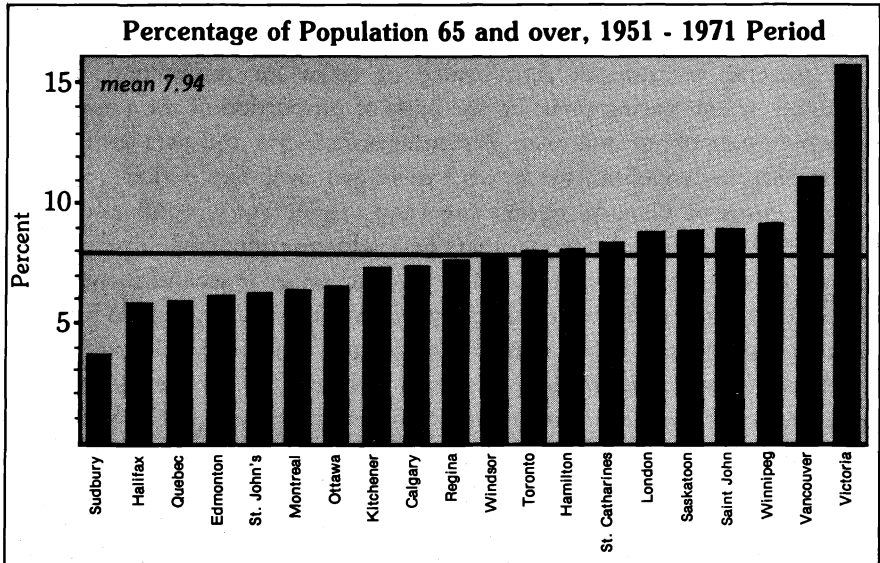
A general measure of significance of cities for retirement can be obtained by comparing them on the basis of proportion of the population sixty-five years of age and over. Percentages sixty-five and over for each of the twenty metropolitan areas were averaged over the period 1951-71, using Census of Canada figures for 1951, 1956, 1961, 1966 and 1971 (Figure 1).[5] Victoria leads all others by a wide margin, with a percentage of 15.75, twice the group mean of 7.94. Vancouver is second at just over 11 per cent, fully two percentage points above the next highest, Winnipeg. Among the top half dozen that are well above the mean only two are in the East. Strong in-migration of elderly people is by no means the only explanation of the high percentages. Slow urban growth, as in Winnipeg and Saint John, probably has the effect of enlarging the elderly component by out-migration of younger adults in search of employment. At the other end of the list Sudbury might be interpreted as the most unattractive place for retirement, but many other factors are involved, especially demographic ones. For example, since 1921 Sudbury has had the highest percentage of population under fifteen years of age among the twenty metropolitan areas, which has the effect of minimizing the proportion of elderly.

In the taxation statistics sources of income are classified into fifteen or twenty categories, the classification having become more detailed in recent years (Table 1). For the purposes of this study these have been collapsed into four income source groups: employment, pension, investment and miscellaneous. The employment category includes wages and salaries, commissions, professional income, business income and income from farming and fishing. Pension income includes all private and public pensions and superannuation income, as well as income from annuities. Investment income includes dividends, interest of various forms, income from trusts, rental income and capital gains. Other income, such as unemployment insurance benefits and family allowances, is placed in the miscellaneous category. Line and bar graphs have been used to facilitate the interpretation of income data. The line graphs indicate the percentage of income

[5] Cities included in the comparison are the twenty metropolitan areas of Canada identified in the 1966 Census of Canada.

FIGURE 1

*Elderly population in Canadian metropolitan areas
for the period 1951-1971*

Percentage of Population 65 and over, 1951 - 1971 Period

from various sources at dates selected to correspond with Canadian cen-
suses. The bar graphs represent averages of five dates — 1951, 1956, 1961,
1966 and 1971 — that present a synthesized view of the postwar period
and eliminate fluctuations that occur from year to year.

Since World War II the increasing affluence of Canadian society and
the accompanying yields on savings and investments, together with the
proliferation of government programmes to transfer money to individuals
in such forms as pensions, welfare payments, family allowances and un-
employment insurance benefits, has led to a decline in the portion of
income derived from employment. In most Canadian cities this decline
has been of the order of 10 per cent in the period 1951 to 1974, more
than half of this loss occurring in the last three years (Figure 2). While
Vancouver paralleled the experience of the eighteen other Canadian
metropolitan areas at a level of one or two percentage points lower, Vic-
toria, consistently, was far lower in proportion of employment income and
experienced a sharp decline after 1961. In Victoria the decline amounted
to 13 per cent from the maximum in 1956 to the minimum in 1974,
when employment accounted for little more than three-quarters of the

TABLE 1

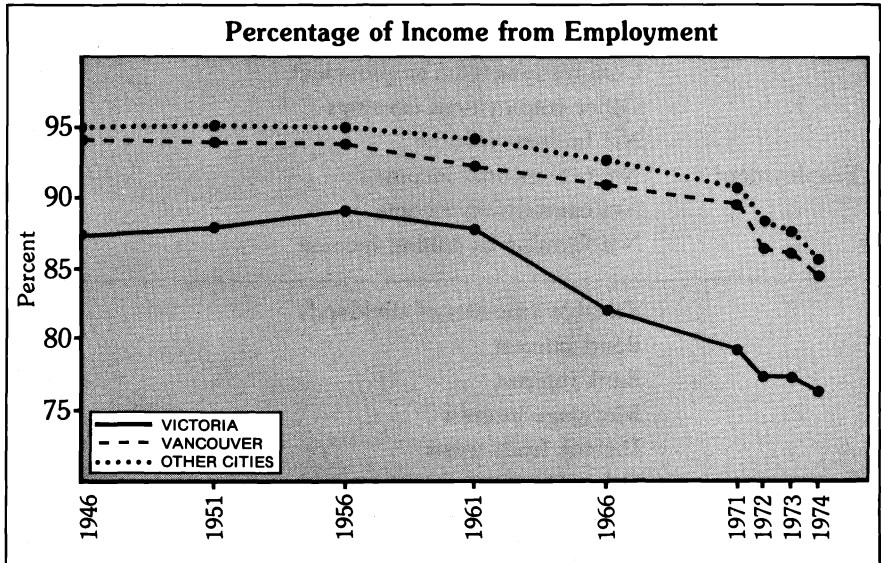## SOURCES OF INCOME IN TAXATION STATISTICS FOR 1974

Group	Source
1. Employment	Wages and salaries Commissions from employment Other employment earnings Net business income Net professional income Net commission income Net farming or fishing income
2. Investment	Taxable amounts of dividends Bond interest Bank interest Mortgage interest Income from trusts Other Canadian investment income Foreign investment income Net rental income Net taxable capital gains
3. Pension	Old-age pension Canada pension plan or Quebec pension plan benefits Other pensions and superannuation Annuity income
4. Miscellaneous	Family allowance Unemployment insurance benefits Miscellaneous income

total urban income, and the trend would indicate a further decline. In such circumstances labour force data have serious limitations as an indicator of economic base characteristics.

Cities are arranged in rank order of percentage of income derived from employment on the upper part of Figure 3, while in the lower graph the same bars are rearranged by order of percentage of elderly, as portrayed in Figure 1. The relationship between the two is striking at either end of the scale where Victoria and Sudbury appear in a reciprocal relationship.

FIGURE 2

*A comparison of employment income in Victoria and Vancouver with the
mean of the other eighteen metropolitan areas, 1946-1974*

Despite this negative correspondence of one pair of cities, there is no signi-
ficant rank correlation between percentages of employment income and
elderly population. A simple negative relationship between employment
income and percentages of elderly is prevented by the occurrence of city
types, such as financial centres, that have high proportions of investment
income accounting for their low proportions of income from employment.
The uniqueness of Victoria is emphasized by its low proportion of employ-
ment income. Throughout the period it had the lowest percentage of all
twenty metropolitan areas and was far lower than any other city. For
example, in 1974 the next lowest was St. Catharines at 83 versus Vic-
toria's 76 per cent. Vancouver was in the below-average group in employ-
ment income, being fifth from the bottom.

Income from investments has tended gradually upward in most cities
since the early 1950s, and especially steeply during the 1970s (Figure 4).
Victoria again asserts its uniqueness in having a far higher proportion of
income from investments than any other city, evidenced by an average
figure for the years 1951-71 that is twice the average of the twenty metro-
politan areas (Figure 5). Because Victoria is not considered a financial

FIGURE 3

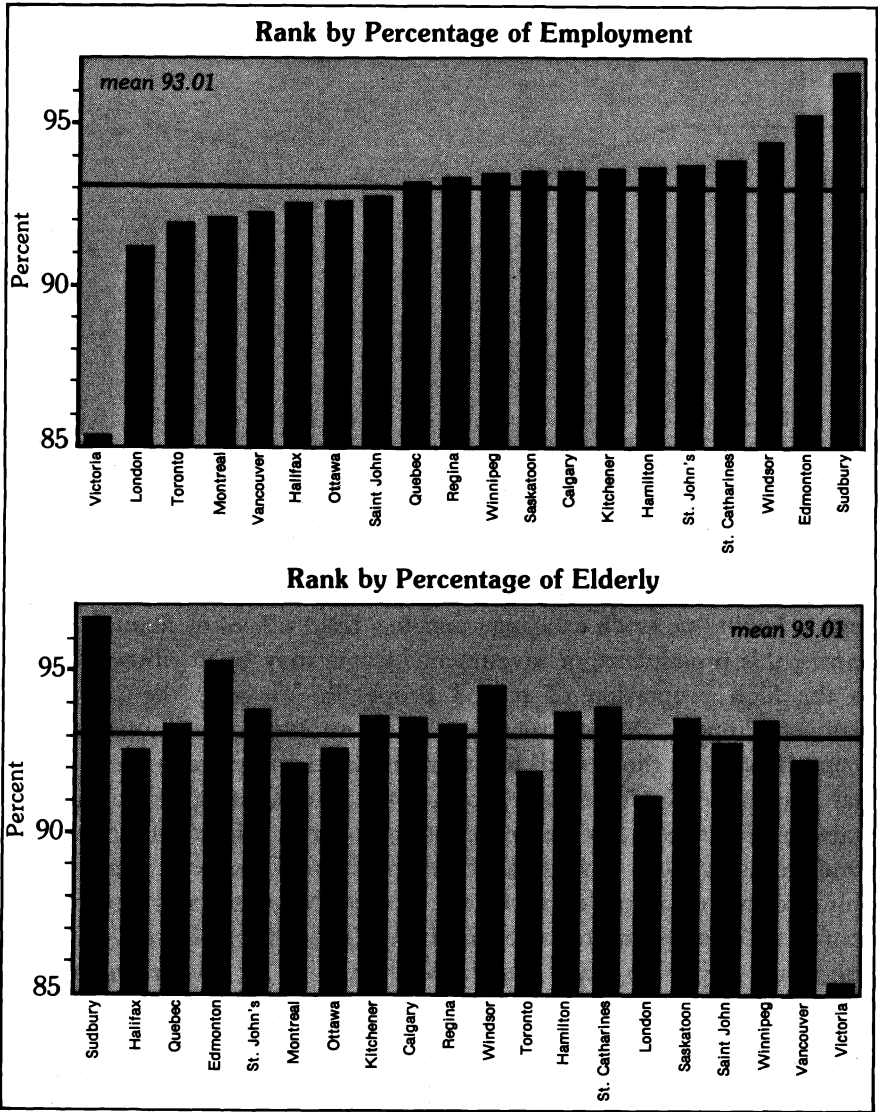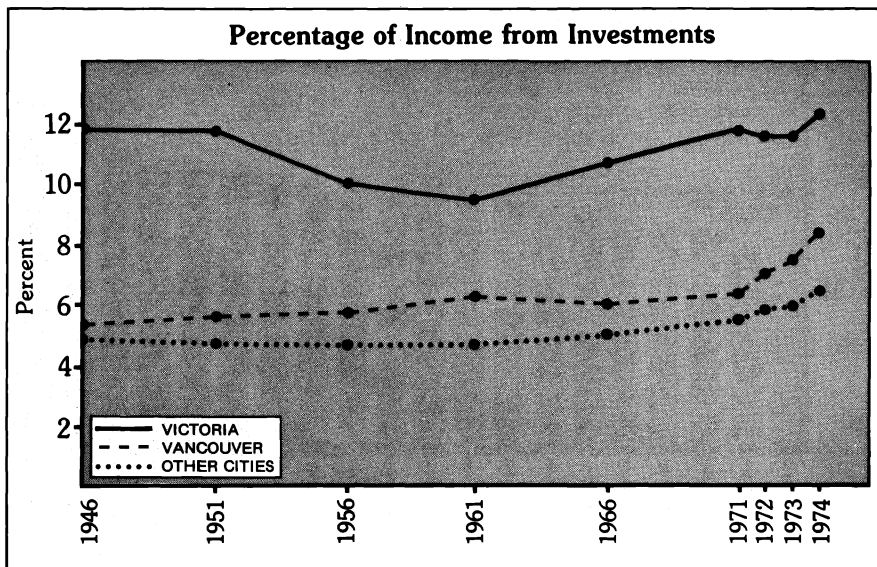*Percentage of income from employment in Canadian metropolitan areas for the period 1951-1971*

FIGURE 4

Investment income in Victoria and Vancouver compared with the mean of the other eighteen metropolitan areas, 1946-1974
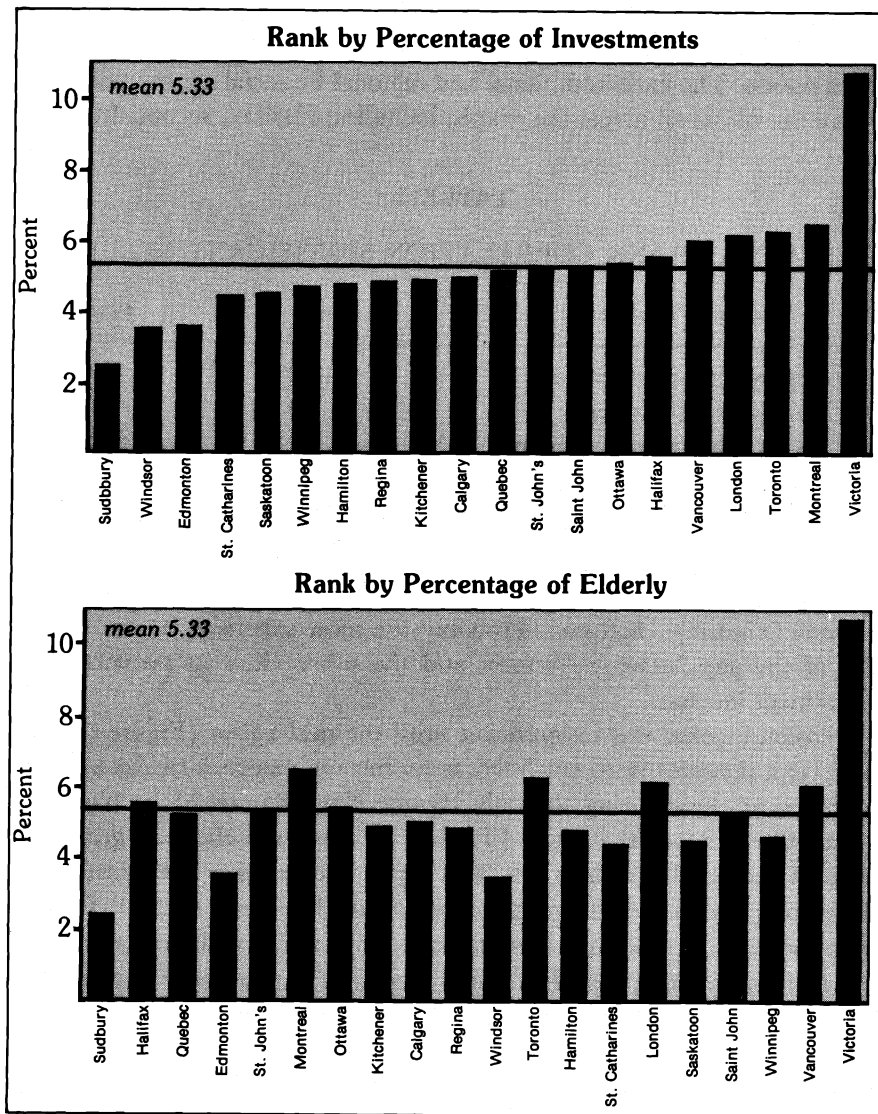

centre, having no stock exchange and few head offices of financial companies, this prominence of investment income may be attributed largely to the high proportion of retired people in Victoria, the proverbial "coupon-clippers." Vancouver was well above average in investment income throughout the period, but was surpassed by several eastern financial centres, besides Victoria. As one of the three leading metropolises of Canada, Vancouver has developed prominence as a financial centre, but combines with this a substantial retired population, many of whom probably declare considerable investment income. Montreal and Toronto, of course, are the key metropolitan and financial centres of Canada which one would expect to place near or at the top of an investment income ranking. London is noted as a head office location for many insurance companies and apparently is a centre of wealth in southwestern Ontario. Those cities at the bottom of the ranking, including Sudbury, Windsor and Edmonton, are wage and salary places engaged in their mining, manufacturing and government activities at production levels, with a minimum of coupon-clippers in their midst.

Although there is a strong negative correlation between percentage of

FIGURE 5

Percentage of income from investments in Canadian metropolitan areas for the period 1951-1971

Rank by Percentage of Investments

Rank by Percentage of Elderly

income from employment and percentage from investment, the relationship between investment income and proportion of elderly is weak, except, again, at both ends of the scale (Table 2 and Figure 5). This implies that only a genuinely recognized retirement mecca like Victoria can expect to attract sufficient numbers of monied people to generate substantial investment income without benefit of the financial industry that many other cities possess. The various national and regional financial centres poke well above the mean all across the graph, including Halifax, second from the

TABLE 2

SPEARMAN RANK CORRELATION SIGNIFICANT RESULTS

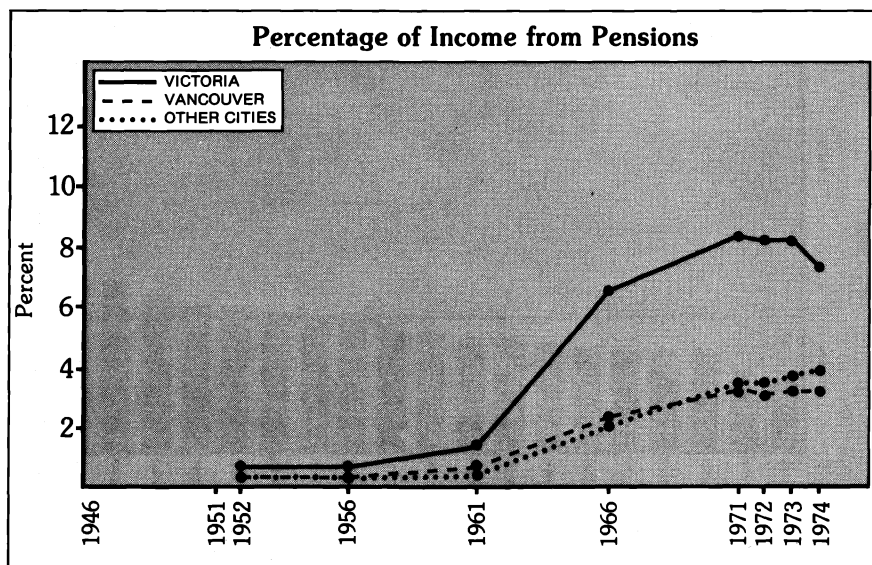| Income Variables	r_s	t - score
employment — investment	—.92	10.06
employment — pension	—.59	3.07
elderly population — pension	.59	3.10

significance level p = 0.05
degrees of freedom = 18

bottom (Figure 5 - bottom). Probably the most surprising feature is the size of the gap between Victoria and the other cities in proportion of investment income.

Pension income was insignificant until the mid-1960s (Figure 6). Before 1952 pensions were not listed as an income category in the taxation statistics, annuities being the only income class that could be placed in group three before that date (Table 1). Therefore the line graphs of pension income begin in 1952, and 1952 figures were used instead of those for 1951 in the bar graph calculations (Figures 6 and 7). In Victoria pension income increased rapidly after 1961, reaching a peak in 1971 and registering a slight decline recently. The increase of the 1960s was less pronounced in Vancouver and corresponded closely with the average of the other eighteen cities. But while Vancouver maintained the same percentage through the early 1970s that was achieved in 1971, the other Canadian cities continued their steady increase in proportion of pension income. One may speculate that a levelling off in the flow of elderly migrants to Victoria and Vancouver may have occurred in the early 1970s that terminated the growth trend of pension income.

FIGURE 6

*Pension income in Victoria and Vancouver compared with the mean
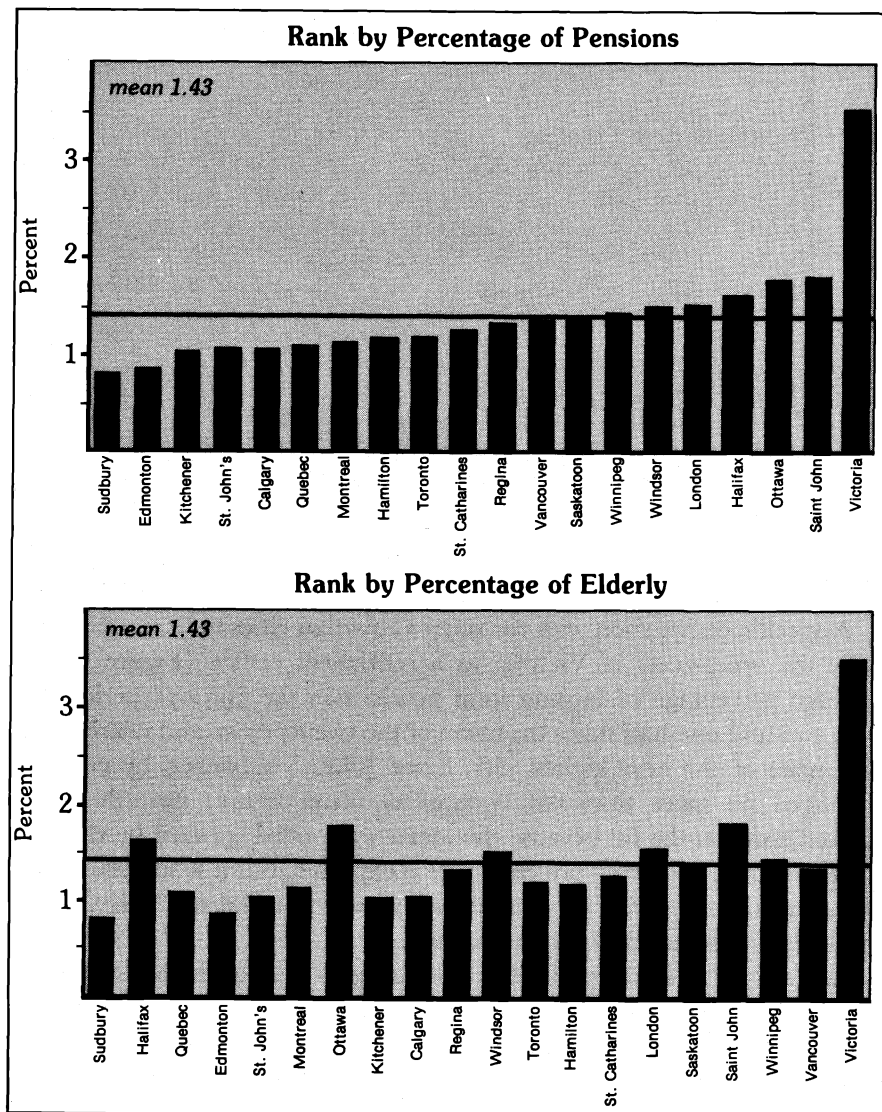of the other eighteen metropolitan areas, 1952-1974*

Percentage of Income from Pensions

A specific comparison with the other Canadian cities indicates dramati-
cally the uniqueness of Victoria as a retirement centre (Figure 7). Its
average percentage of income from pensions in the 1951-71 period was
over two and one-half times the mean of the twenty cities and nearly twice
the mean of the next highest city, Saint John. Vancouver, by contrast,
managed no more than the twenty-city mean figure; nevertheless, it
ranked sixth on the list because the mean was pulled upward by the high
Victoria total. Victoria's pre-eminence is expected, but it is surprising that
Vancouver's proportion of pension income was not higher, in view of the
large retired population that it possesses.

Logically, the ranking of cities according to pension income ought to
correspond closely with their ranking in proportion of elderly and there is
a significant correlation, but it is not so high as might be expected (Table
2 and Figure 7). Conversely, there is a significant negative correlation
between employment and pension income. The bar graph portrays the
positive relationship, as well as highlighting the two most striking ano-
malies, Ottawa and Halifax (Figure 7 - bottom). By the labour force
measure Ottawa and Halifax are the two leading cities in proportion of

FIGURE 7

Percentage of income from pensions in Canadian metropolitan areas for the period 1952-1971

employment in public administration and defence activities, followed by Victoria in third place. While Ottawa is the headquarters of the Canadian Armed Forces, Halifax and Victoria are the major naval bases. Service personnel normally retire on full pension after twenty years of service, or a longer period in certain cases. Generally well below the age of sixty-five at retirement, many of them enter other careers and become part of the labour force while they are drawing full military pensions. As a result, pension income may be greatly bolstered in cities strongly associated with the military. In Victoria, of course, the substantial pension income accruing to the elderly retired is compounded by that of military origin.

Miscellaneous income was insignificant until the 1970s, when it reached levels of 3 or 4 per cent. By far the most prominent sources of income in the miscellaneous group, and the only ones listed separately, are unemployment insurance benefits and family allowances, the former appearing first in 1972 and the latter not until 1974. It is unknown whether or not they were included in the category "miscellaneous" earlier, but if so, a definite increase in such income was reported in the 1970s. For the purposes of this study the miscellaneous group was considered simply as the residue and no further investigation was carried out.

It has been demonstrated that Victoria is unique among Canadian metropolitan areas in having by far the lowest proportion of income from employment and by far the highest from both investments and pensions. According to the studies of urban functional characteristics Victoria is strongly specialized in public administration and defence activities.[6] Probing beyond the labour force yardstick, which measures only three-quarters of that city's income, reveals that a relatively wealthy retired population constitutes an important "industry" that is fundamental to the characterization of the urban economic base. The magnitude of investment income seems remarkable, but must be attributed largely to the retired, as is the case with pension income. Although Vancouver has the second highest proportion of elderly people among Canadian metropolitan areas, it tends to resemble the average Canadian city in income characteristics to a greater extent than would be expected. Its proportion of income from pensions constitutes the average of the twenty cities; only its income from investments is significantly above average, and this might be anticipated on the basis of its financial centre role. The income statistics yield little to add to the labour-force-inspired functional description of Vancouver as dominated by transportation, storage, communications and manufactur-

[6] Maxwell et al., *op. cit.*

ing.[7] An important trend to keep in mind is the rapid decline of income from employment, which implies that far more attention will have to be paid in future to the significance in the urban economic base of non-employment sources of income. While this is particularly relevant to future studies of Victoria's economic base, the trend holds true also for other cities and it is hoped that in future research income data will be used in conjunction with the traditional employment measures.

[7] *Ibid.*