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IMMIGRATION TO CANADA: WHAT POLICY FOR WHAT PURPOSES?

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TABLE OF CONTENTS

CANADA

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INTRODUCTION

For a number of years, demographers have been concerned about the fact that Canada's birth rate is below the replacement level and that longevity is increasing, two factors that are inexorably hastening the aging of the country's population. Today, these concerns are being echoed by analysts, the media and some individuals, who are wondering if there really is a demographic time-bomb and are speculating on the socio-economic effects of population aging and decline.

This situation and the resulting apprehension are common to all industrialized countries. Even countries that have long been associated with emigration (such as Ireland, Italy, Spain and Portugal) now accept the idea that the West (including Japan) will have to rely to a greater extent on "replacement immigration" to make up the birth deficit and curb population aging and decline.

This idea is also shared by Canada, which has always been an immigration country. Because of Canada's favourable immigration policy, net migration – i.e., the difference between immigration and emigration – has outpaced natural increase as the main factor in population growth since the early 1990s. In 2002, some 60% of the country's population growth was due to net migration. According to the *CIA World Factbook*, Canada's has the second-highest net migration rate – 6.01 per 1,000 population (2003 estimate) – among Organisation for Economic Co-operation and Development (OECD) countries, behind only Luxembourg and ahead of New Zealand, Australia and the United States.

Canadian authorities have always claimed that this policy of welcoming international immigration is essential to the nation's economic growth.(1) The goal of economic growth based on immigration is predicated on the belief that immigrants are an asset for the economy and, in particular, a solution to the shortage of skilled workers in some industries. In

(1) According to Citizenship and Immigration Canada, there were 229,091 new immigrants to Canada in 2002. Economic class immigrants made up 59.59% (136,525) of the total; family class 28.49% (65,277); and refugees 10.96% (25,111). Another 197 immigrants were landed under special programs.

this regard, the objectives section of the new *Immigration and Refugee Protection Act*[2] (s. 3(1)) is explicit with regard to Canada's immigration policy, which is intended to:

- permit Canada to pursue the maximum social, cultural and economic benefits of immigration;
- enrich and strengthen the social and cultural fabric of Canadian society, while respecting the federal, bilingual and multicultural character of Canada;
- support and assist the development of minority official languages communities in Canada;
- support the development of a strong and prosperous Canadian economy, in which the benefits of immigration are shared across all regions of Canada.

Immigration can have a considerable impact on population size and growth, the labour market and the country's socio-cultural makeup. Most experts also agree that immigration has been beneficial to Canada. However, some analysts and observers are now questioning the underpinnings of Canada's immigration policy, citing new studies and new data.[3]

Immigration remains a sensitive issue, on which it is difficult to objectively separate hard facts from deep-rooted misconceptions. The difficulty is compounded when one attempts to analyze the economic advantages and costs of immigration and weigh the arguments on both sides. In fact, the various studies on the subject still do not provide a definitive answer as to whether immigration constitutes a net benefit or a net cost to a country. Prudently, experts emphasize the need for new studies that stand on firmer theoretical and methodological ground and take into account the effects of immigration over the long term and the geographic dispersion of immigrants. For example, even though macroeconomic studies suggest that immigration has only a minimal effect, close to zero, on per capita income and unemployment, these are probably biased because they consider immigration's impact at the national level, whereas immigration's effects are more regional or even local.[4]

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(2) The *Immigration and Refugee Protection Act* (IRPA) came into force on 28 June 2002 (http://laws.justice.gc.ca/en/I-2.5/64155.html). It replaces the old *Immigration Act* and emphasizes the contribution of immigrants and refugees to Canadian society and the Canadian economy. It invites workers with various skill sets to choose Canada and advocates speedy family reunification.

(3) M. Collacott, "Canada's Immigration Policy: The Need for Major Reform," Occasional Paper No. 64, Fraser Institute, Vancouver, 2002; D. Francis, *Immigration: The Economic Case*, Key Porter Books, Toronto, 2002; D. Stoffman, *Who Gets In? What's Wrong with Canada's Immigration Program and How to Fix It*, Macfarlane, Walter and Ross, Toronto, 2002.

(4) Marc Termote, "La mesure de l'impact économique de l'immigration internationale. Problèmes méthodologiques et résultats empiriques," *Cahiers québécois de démographie*, Vol. 31, No. 1, Spring 2002, pp. 35-67.

It is important to note from the outset that the purpose of the present document is not to measure immigration or determine its value to Canada, but to describe the key elements of the issue. The first part places immigration to Canada in historical context and outlines the main characteristics of recent immigration. The second, consisting of three sections, provides an overview of current research on how immigration can achieve the three fundamental objectives implicit in Canada's immigration policy:

- reverse population aging;
- strengthen the economy;
- develop the economies of outlying areas by regionalizing immigration.

The final part opens a debate on the need to integrate Canada's immigration policy into a coherent national, provincial and local population policy that takes housing, transportation, employment, energy and environmental issues into account.

IMMIGRATION TO CANADA

A. Three Main Periods

Between 1860 and 2002, Canada received more than 15.4 million immigrants,(5) the equivalent of half of the country's present population. The number of immigrants and their countries of origin have always fluctuated in response to Canadian immigration laws, and even more in response to Canada's prosperity relative to the rest of the world, depending on the international political situation.

Broadly speaking, Canada has experienced three major waves of immigration in its history, each one characterized by a large influx of immigrants from a different part of the world. During the first wave, which lasted from 1867 to 1914, peaking in 1913 (400,870 immigrants), 4.5 million immigrants arrived in Canada. Forty percent of them were from the British Isles.(6) World War I and the restrictive *Immigration Act* of 1919 put an end to the first wave.

The second or interwar period ran from 1919 to 1930 (1.5 million immigrants). It was characterized by the thriving post-war economy, which ended abruptly with the Great

(5) Citizenship and Immigration Canada, "Immigration Overview," *Facts and Figures 2002* (http://www.cic.gc.ca/english/pub/facts2002/immigration/immigration_1.html).

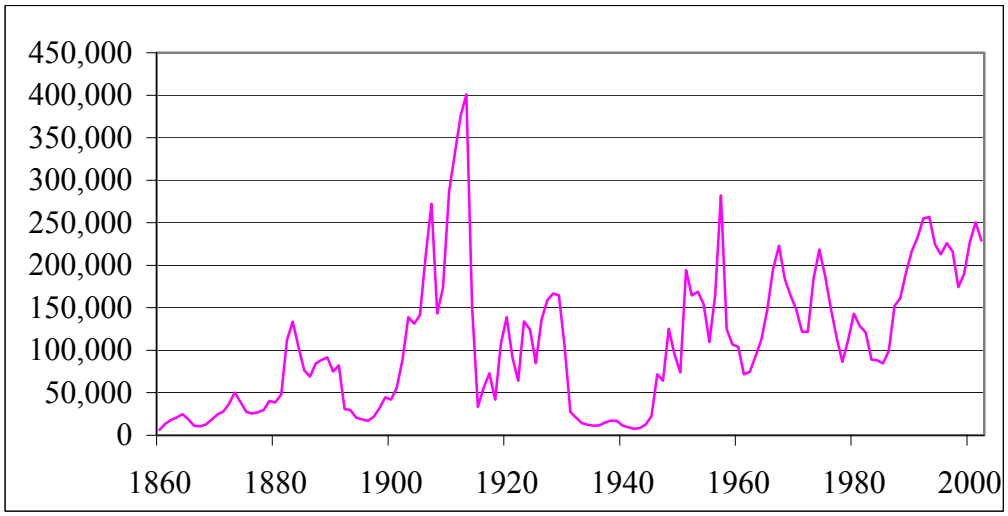
(6) Warren E. Kalbach, *The Impact of Immigration on Canada's Population*, Dominion Bureau of Statistics, Census Division, Ottawa, 1970.

Depression and subsequently World War II. Between 1931 and 1945, immigration to Canada plummetted, with an annual average of only 14,633.

The end of World War II saw the start of a new wave of immigration (8.9 million), marked by the diversification of immigrants' points of origin. The post-war economic boom was accompanied initially by an increase in overall immigration levels, but a decline in immigration from the British Isles relative to immigration from continental Europe.

In recent decades, the proportion of European immigrants has gradually decreased, while immigration from Asia has continued to grow as a result of conflicts, political repression and other factors in that part of the world. The number of immigrants from Latin America and Africa has soared as well, for the same reasons. Even so, immigration volumes in recent decades have undergone significant fluctuations, chiefly due to the more restrictive policies of the 1960s, the energy crisis of the 1970s and the economic recessions of the early 1980s and 1990s.

Figure 1: Immigration to Canada since 1860



Source: Citizenship and Immigration Canada and Library of Parliament.

B. Components

In 2002, 229,091 people became permanent residents of Canada. This number was within the planned range of 210,000 to 235,000 new permanent residents. The corresponding figure for 2001 was 250,346. There are three basic categories for permanent residents:

- The *economic class* accounted for 59.59% of new permanent residents in 2002. It includes skilled workers, business immigrants, provincial nominees and live-in caregivers, as well as members of their immediate family.
- The *family class* accounted for 28.49% of all new permanent residents in 2002. It includes spouses, partners, children, parents and grandparents of the sponsors.
- The *protected persons class* accounted for almost 11% of new permanent residents in 2002. It includes government-assisted and privately sponsored refugees who are selected abroad, and individuals who are recognized in Canada by the Immigration and Refugee Board as Convention refugees or persons in need of protection, as well as persons who have been granted protection through the pre-removal risk assessment process. Protected persons may include their family members in their application for permanent residence.

Table 1: Immigration by Class, 2002

Immigrants	Actual number in 2002	Percentage of annual total
Immediate family	42,775	18.67
Parents and grandparents	22,502	9.82
Total – Family class	**65,277**	**28.49**
Skilled workers	123,357	53.84
Business immigrants	11,041	4.81
Provincial or territorial nominees	2,127	0.93
Total – Economic class	**136,525**	**59.59**
Other*	2,145	0.94
Total – Other	**2,145**	**0.94**
Total – Immigrants	***203,947***	***89.02***
Government-assisted	7,504	3.28
Privately sponsored	3,044	1.33
Landed in Canada	10,544	4.60
Dependants abroad**	4,019	1.75
Total – Refugees	***25,111***	***10.96***
TOTAL – IMMIGRANTS AND REFUGEES	**229,058**	**99.99**
Backlog	33	0.01
Not stated	0	–
TOTAL	**229,091**	**100.00**

* "Other" includes live-in caregivers, retirees, the deferred removal order class, and post-determination refugee claimants in Canada.

** Dependants (of a refugee landed in Canada) who live abroad.

Source: Citizenship and Immigration Canada.

In 2004, the Canadian government plans to admit between 220,000 and 245,000 new permanent residents to Canada,(7) the same range as in 2003. Citizenship and Immigration Canada (CIC) also intends to maintain the same split between the economic class (60%) and the other classes (40%). The latter group includes the family class, the protected persons class, and people admitted for humanitarian reasons.

Over the longer term, the government's unofficial target is to bring the annual volume of immigration up to 1% of the population, or more than 300,000.

C. Measurable Demographic and Economic Objectives

As indicated in the previous section, immigration has played a major role in the settlement, development and economic prosperity of Canada. What role will it play in the next 100 years? Are the objectives that have shaped Canada's immigration policy in recent decades still relevant? In the future, how will Canada reconcile its immigration policy's long-term, demographic objectives with the short-term, economic ones? In the past, these objectives have always been more or less in harmony.

At present, aside from broad principles, Canada's immigration policy does not appear to have any measurable, clearly stated, long-term objectives. The target range for 2004 does not seem to relate to any specific demographic objective (e.g., maintaining the size of the population or the labour force), apart from the fact that population projections indicate that this level of immigration might help keep the population from shrinking. Hence, the lack of measurable objectives raises the question of how relevant the current target range is. In other words, is this the optimum level of immigration?

In the short term, what measurable objective does Canada's current immigration policy address, beyond the idea that immigration generates economic growth and should therefore be promoted?

The three sections in the next part of this document focus on three major problems facing Canada that many people think could be partly solved through immigration. Adjusting Canada's immigration policy with a view to solving these well-defined problems and formulating a number of measurable objectives to address them might help "refresh" immigration and give it some meaning in relation to those objectives.

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(7) Citizenship and Immigration Canada, *Annual Report to Parliament on Immigration 2003*, 2003 (http://www.cic.gc.ca/english/pdf/pub/immigration2003-e.pdf).

THREE BASIC OBJECTIVES IMPLICIT IN CANADA'S IMMIGRATION POLICY

A. Reverse Population Aging

According to the OECD, population aging is one of the key structural challenges facing its member states. In many OECD countries, the labour force as a percentage of the total population will begin to decline after 2010, with the retirement of the baby-boomers. Moreover, United Nations population projections, based on slightly positive or zero net migration scenarios, indicate that the populations of a number of industrialized countries will be shrinking by 2050. For example, the populations of the European Union (EU) and Japan will decrease by 12% and 17% respectively between 2000 and 2050.

The decline or very slow growth of the population and the labour force will affect the material living standards of the populations concerned because of mounting fiscal pressures. For example, OECD figures[8] indicate that by 2050, living standards[9] may fall by 10% in the United States, 18% in the EU and 23% in Japan compared with what they could be if productivity and the dependency ratio (the population aged 65 and over as a proportion of the population aged 15 to 64) remain constant at today's levels.[10] Canada has a younger population structure than the EU and Japan, but an older one than the United States, and its demographic situation will fall between those benchmarks.

Does immigration offer a solution that might mitigate the foreseeable consequences of population aging? In theory, immigration has the advantage of making an immediate, fairly significant impact on the labour force because new immigrants tend to be younger and more mobile.

According to some observers, however, immigration is not an effective means of preventing population aging. It is true that immigrants are somewhat younger than the

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(8) Jonathan Coppel, Jean-Christophe Dumont and Ignazio Visco, "Trends in Immigration and Economic Consequences," Economics Department Working Papers No. 284, OECD, June 2001 (http://www.oecd.org/dataoecd/29/30/1891411.pdf).

(9) Measured by per capita gross national product (GNP) adjusted for terms of trade.

(10) It should be noted that the steady-state dependency ratios used for most calculations of this type are not really appropriate. First, they are demographic ratios that compare age groups (15-64 and 65+), whereas the relevant indicator is the ratio of retired persons to employed persons. Depending on female participation rates, participation rates in the 55-64 age group, and unemployment rates and their trend, there may be a significant difference between the two ratios. Second, for most countries, the baseline ratios reflect the steep population growth that occurred in the past (the baby boom) and therefore cannot be used as steady-state ratios without creating an upward bias.

population of the receiving country, and therefore immigration lowers the average age slightly. Yet this effect is limited, and probably too much faith is placed in projections that suggest the age structure of immigrants will remain constant when the populations of their countries of origin are aging. In short, immigration does mitigate aging and dependency, but its impact is fairly weak, and the population can be expected to continue aging regardless of immigration levels.(11)

The CIC shares this view, stating that while immigrants make a significant contribution to labour force growth and to the size of the population, they do not affect the age structure of the population.(12)

In the same vein, an OECD study indicates that while migration flows may partially offset the slow growth or decline of populations in OECD countries, they cannot provide a solution to the budget problems associated with population aging.(13)

The basis for such unanimity among demographers is the marginal *overall impact* of immigrants' *relative youth*. Immigrants make up only a small proportion of the country's total population, and their average age too has been climbing in recent decades – 25 (annual average) between 1956 and 1976, 27 between 1981 and 1986, 28 between 1986 and 1990, and 30 in 1994 – albeit at a slower pace than the median age of the Canadian population as a whole, which rose from 26.3 in 1961 to 35.3 in 1996.(14) In addition, even though immigrants are slightly younger on average, they are distributed across the entire age spectrum.

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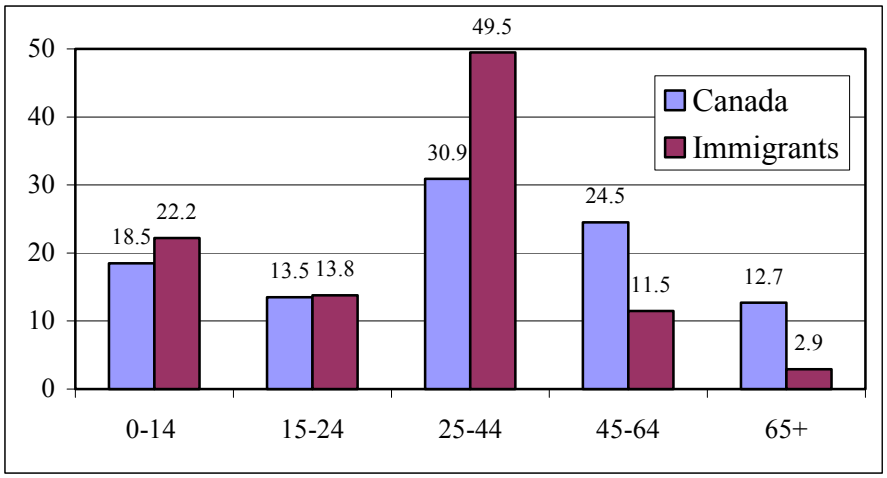
(11) Roderic Beaujot, *Immigration and Canadian Demographics: State of the Research*, study prepared for CIC, May 1998.

(12) Elizabeth Ruddick (Director, Strategic Research and Review, CIC), "Canadian Immigration Data: 'Administrative Data' on Permanent and Temporary Residents," *Rethinking the Line* (pre-conference workshop), 22 October 2000, p. 5 (http://www.cic.gc.ca/english/pdf/research-stats/cbds.pdf).

(13) Coppel, Dumont and Visco (2001).

(14) Roderic Beaujot, Suzanne Shiel and Lorraine Schoel, *Immigration and the Population of Canada*, report prepared for the Immigration Policy Branch, Employment and Immigration, 1989; Roderic Beaujot and Feng Hou, *Projecting the Visible Minority Population of Canada: The Immigration Component*, study prepared for the Employment Equity Data Program, Statistics Canada, Ottawa, 1993; Citizenship and Immigration Canada, *Citizenship and Immigration Statistics, 1994*, Ottawa, 1997 (http://www.cic.gc.ca/english/pdf/pub/1994stats.pdf).

Figure 2: Percentage Distribution of the Canadian Population and Immigrants by Age, 2002



Source: Citizenship and Immigration Canada and Statistics Canada.

It is true that, over time, the average age of immigrants has been consistently – and increasingly[15] – lower than the average age of the Canadian population, exerting modest downward pressure on the latter. With simulations and projections, the effect on Canada's age structure can be measured with some precision. For example, one researcher concluded, on the basis of simulated population changes and birth and death counts since 1951, that international migration between 1951 and 1981 lowered the average age of Canadians by six months.[16]

All in all, though, other demographic phenomena, such as the baby-boomers' advance through the age structure, lower fertility rates and increasing longevity, have a greater impact on the age structure than immigration.

Finally, it is worth noting that in 2000, the United Nations Population Division conducted a study of whether replacement migration could solve the problem of population aging and decline. Using a scenario that simulates the migration required to maintain the dependency ratio – the ratio of the working-age population (15-64) to the elderly population (65+) – the study concluded that the level of immigration needed to offset population aging (i.e., to maintain the dependency ratio) would have to be much higher than in the past. For example, the United States (Canada is not included in the study, but its population structure is similar to

(15) The median age of immigrants on arrival was about one year lower than that of the Canadian population between 1945 and 1971, two years lower in 1981, and nearly five years lower between 1991 and 1996.

(16) Hervé Le Bras, *The Demographic Impact of Post-War Migration in Selected OECD Countries*, OECD Working Party on Migration, 1988.

that of the United States) would have to admit some 592 million immigrants between 2000 and 2050 to keep its dependency ratio steady. The population of the United States was 274 million in 2000. This would mean admitting nearly 11 million immigrants each year, compared with 1.5 million at present – not a very realistic scenario.(17)

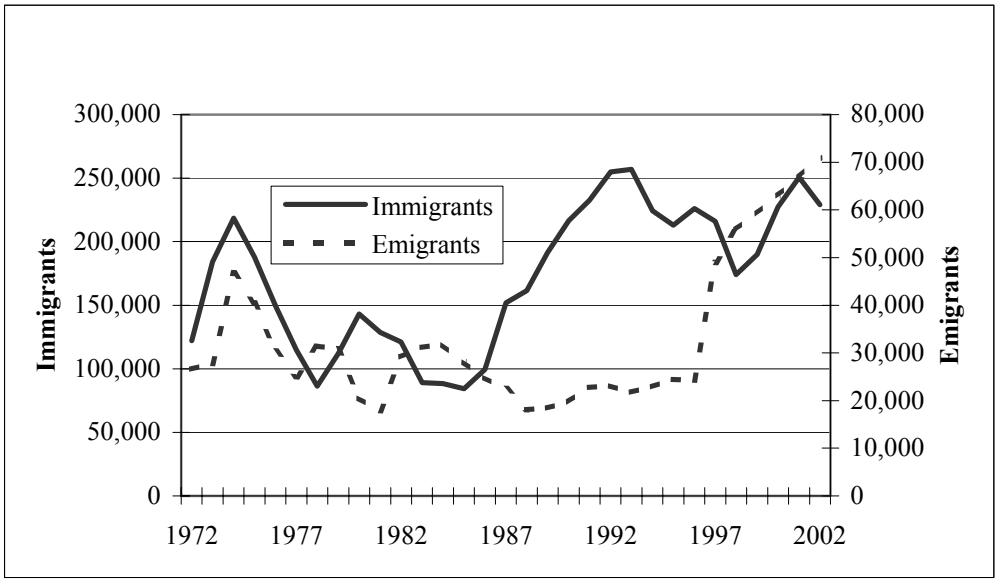
In view of the conclusions of the experts referred to above, should we reject the idea of using immigration to shrink the demographic bulge making its way up the age pyramid? To what extent can we envisage an immigration volume that is realistic and acceptable to the receiving societies? What proportion of the structural demographic adjustment can be achieved through immigration?

First and foremost, using migration as a population control variable presupposes an ability to manipulate very precisely the volume and age distribution of immigrants and emigrants (net migration). In this regard, the admission criteria in Canada's immigration policy already take age into account, both explicitly and implicitly. However, a country's ability to assert greater control over migration flows is restricted and complicated by many factors: mobility agreements, the persistence of illegal immigration, humanitarian considerations, and other constraints such as admission for family reasons. For example, the selection of refugees cannot, by definition, be based on demographic and economic criteria. The selection criteria applied to close relatives and other family members also have their limits. In addition, basing immigration targets primarily on age or fertility behaviour could be viewed as a form of discrimination.

Empirical evidence shows that migration policies affect the number and characteristics of immigrants but have virtually no impact on the return of immigrants to their countries of origin or on emigration in general; this makes it difficult to control the volume and characteristics of net migration.

(17) United Nations, Population Division, "Replacement Migration: Is It a Solution to Declining and Ageing Populations?" New York, March 2000 (http://www.un.org/esa/population/publications/migration/execsum.pdf).

Figure 3: Canada – Immigration and Emigration



Source: Statistics Canada.

For example, while Canada had 229,091 immigrants in 2002, including 113,000 (49.5%) in the 25-44 age group, over 70,000 people left the country the same year, including nearly 40,000 (56%) in the 25-44 age group.

In short, it seems unlikely that immigration will solve the population aging problem. The evidence can be seen in demographic simulations, and the conclusion is supported by an analysis of migration patterns.

B. Strengthen the Economy

> To say that immigration has a positive impact on the size of the labour force, the level of investment and the level of expenditure is almost a truism: if the population grows through immigration, so does the size of the labour force (unless only people who are not in the labour force are admitted), and immigration necessarily generates a need for investment and growth in consumer and government spending.[18] [Translation]

(18) Most of the observations about the methodological approaches used to measure the economic impact of immigration are taken from Termote (2002).

1. Some Figures

In October 2003, Statistics Canada published a new study based on census data which showed that new immigrants working full-time, year-round, had suffered a 7% decline in earnings between 1980 and 2000, despite a significant increase in their level of schooling.(19)

The study found that in 1980, immigrant workers who had arrived in Canada between 1975 and 1979 and had worked full-time for at least 40 weeks were earning $40,600 a year. Twenty years later, immigrants who had landed between 1995 and 1999 were earning only $37,900 a year. According to the authors, this substantial decline (which would be even greater if expressed in real dollars) is not attributable to lower levels of education among recent immigrants, since it occurred over a period when those levels improved appreciably. In 1980, 22% of new immigrants working full-time, year-round, had a university degree; by 2000, that figure had doubled.(20)

While the earnings of new immigrants shrank over the last two decades, those of Canadian-born workers increased, making the pay gap between the former and the latter considerably wider. Unless their earnings improve substantially in the near future, immigrants who arrived in the late 1990s will need more time than their predecessors to reach income parity with Canadian-born workers.(21)

The results of this Statistics Canada study appear to cast doubt on the received wisdom concerning immigrants' overall contribution to Canada's economy. At first glance, they may give the impression that immigrants' overall contribution to the Canadian economy is not only relatively small, but is smaller today than it was 20 years ago, despite tougher admission

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(19) Marc Frenette and René Morissette, *Will they ever converge? Earnings of immigrants and Canadian-born workers over the last two decades*, Statistics Canada, Analytical Studies Branch research paper series, Catalogue No. 11F0019MIE, No. 215, October 2003 (http://www.statcan.ca/english/research/11F0019MIE/11F0019MIE2003215.pdf).

(20) Since the mid-1990s, CIC has taken concrete steps to increase the number of economic immigrants and their families within the overall influx. The selection criteria under the IRPA put a greater emphasis on education, work experience, skills and language ability. The education level of immigrants continues to rise; in fact, the number with postsecondary education is higher than that of the overall Canadian population. According to the 2001 Census, 61% of recent immigrants aged 25 to 64 have postsecondary qualifications, compared with 53% of the Canadian working-age population (both native-born and immigrant).

(21) This situation is of concern to CIC, which is looking for further strategies to help ease the transition of newcomers into the Canadian labour market and to facilitate their social integration into Canadian communities. For example, the Department is currently working with partners across the country to develop new initiatives to help adult immigrants improve their official language skills.

criteria. However, conclusions based on such an approach may be unreliable, as will be seen below through an examination of the principal methodologies used to measure immigration's economic impact.

2. Measuring the Economic Impact of Immigration

There are, in essence, four main approaches to measuring the economic impact of immigration. Each one has its strengths and weaknesses. The *general equilibrium approach* is reputed to be the soundest method from a theoretical standpoint, but it has proven nearly impossible to apply in practice. Consequently, it will not be covered here. The other three approaches are as follows:

1. The *performance comparison approach* consists simply in comparing the economic performance of immigrants with that of native-born people, where performance is based on certain traditional indicators such as income and the unemployment rate. This method is used frequently, because the data it requires are usually fairly easy to obtain. According to Termote, the main problem with this approach is that people try to make it show more than it is capable of. Indeed, it cannot answer the key question, which is what impact immigration has on the economic well-being of the receiving population. It is an "incomplete" method, since the effects of immigration can also be reflected in economies of scale, foreign trade, the balance of payments, etc. Furthermore, the socio-economic costs of immigration that must be borne by the receiving society must be included in the calculation of its economic contribution, but this approach generally fails to consider those costs. While it may not have said so explicitly, the above-mentioned Statistics Canada study is representative of the approach, whose strength is its relative simplicity in terms of both assumptions and access to data, especially regional or local data, which provide a more meaningful measure of immigration's economic impact than so-called "national" models.

2. *Partial econometric models.* Since an approach based on the theory of general economic equilibrium is empirically very difficult or even impossible to apply, almost all existing models centre on specific aspects of the impact of migration, for example, certain industries, certain classes of worker, the balance of payments, demand for consumer goods, the labour shortage, etc. Over the last two decades, a considerable number of studies of the economic repercussions of immigration have been published in the United States, Europe, Canada and Australia. No matter what methods were used to quantify the impact, and no matter what periods and data were considered, the results are remarkably consistent. International immigration has only a tiny effect on the receiving country's income level and unemployment rate. The major weakness of these models is that they fail to consider the fact that international immigration is highly concentrated geographically. In all receiving countries – North America, Australia or Europe – newcomers tend to settle in the main metropolitan areas (in 2002, 76% of immigrants to Canada settled in Toronto, Montréal or Vancouver). Under such circumstances, estimating the economic impact at the national level, as all these studies do, is hardly appropriate. The phenomenon, which is felt at the local level, should be analyzed at the regional or even local level to avoid watering down its effects.

3. *The accounting approach.* A few studies have taken an accounting approach, which first examines the growth of economic indicators (employment, income) in terms of the various growth factors (labour, capital, productivity, etc.) and subsequently estimates how immigration contributes to each factor. The results confirm the minimal impact that immigration has on income levels.(22) However, these studies are relatively old. Some other studies, primarily in the United States, use an approach that involves measuring immigration's fiscal impact by accounting for the cost of public services received by immigrants (health care, education, social assistance, public libraries, etc.) and immigrants' contribution to income and other taxes (including excise taxes, licences and permits, and even lottery tickets) collected by the various levels of government.(23) These studies produced contradictory results.

In short, regardless of the method used, the country analyzed, and the period considered, the results all lead to the same conclusion: immigration has a minimal, nearly non-existent effect on per capita income, wages and unemployment. If such a conclusion were confirmed by future studies that take into account the geographic distribution of immigrants, it would have major political implications: the immigration policy pursued by most countries, including Canada, would lose one of its key rationales.(24)

C. Develop Regional Economies

As indicated earlier, most new immigrants to Canada (76% in 2002) settle in Toronto, Vancouver or Montréal. In 2001, 94% of immigrants who came to Canada in the 1990s were living in census metropolitan areas, compared with only 64% of the total population. This proportion, which has remained steady for about 15 years, means that immigrants who do not initially settle in metropolitan areas do so later.

In this regard, the behaviour of immigrants is not so different from that of other Canadians, who move in large numbers every year from rural areas and small towns to large urban centres. As a result, a number of Canadian regions are facing a worrisome demographic situation and a shortage of skilled labour. Census data show that population aging, the falling

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(22) M. Termote, G. Mathews and H. Benyahia, *L'impact de l'immigration internationale sur la croissance économique à long terme du Québec, 1951-1974*, Ministère de l'Immigration du Québec, 1978; E. F. Denison, *Accounting for United States Economic Growth, 1929-1969*, Brookings Institution, Washington, D.C., 1974.

(23) James P. Smith and Barry Edmonston (National Research Council), "The Immigration Debate: Studies on the Economic, Demographic, and Fiscal Effects of Immigration," National Academies Press, Washington, D.C., 1998 (http://www.nap.edu/books/0309059984/html/index.html).

(24) So concludes Termote (2002).

birth rate and out-migration are causing the depopulation of Canada's rural areas, outlying municipalities and small towns.

Many regional and local authorities believe that immigration could offset this loss of population. Many regions would like to attract more immigrants to stimulate their economies and improve their access to international markets. Accordingly, the regionalization of immigration has become a priority for CIC, which is currently working with the provinces and local agencies to assess various methods of encouraging new immigrants to settle in small towns and rural areas. This would relieve the pressure on the three largest urban centres[25] and spread the positive spin-offs from immigration more evenly around the country.

This movement to regionalize immigration is nothing new, however. Some years ago, governments and immigrant services organizations introduced a number of measures to attract immigrants to the regions. The main objectives of regionalization are as follows:

- ensure that the immigrant population is spread evenly across the country, so that every area benefits from it and so that the gap between the increasingly "heterogeneous" urban culture and the more "homogeneous" rural culture does not become too wide;
- strengthen the social fabric of rural communities weakened by the exodus of young people and the growing attraction of the major centres, by promoting the integration of new immigrants;
- address a shortage of skilled labour;
- rejuvenate the population.

These objectives are laudable, certainly; but recent censuses show that the results are rather disappointing. Reality is another matter. Is it possible to send immigrants to the regions, which Canadians themselves are abandoning in response to an apparently irreversible trend toward urbanization? Probably, the regionalization of immigration will succeed only if it is based on a genuine land settlement policy. As some regions gradually lose their population, it is illusory to hope that immigrants will choose or agree to go and live there for extended periods.

In a sense, the regionalization of immigration is inseparable from the debate over the decentralization and regionalization of power, services and the economy. For people (native-born Canadians or immigrants) to be willing and able to live in the regions, the latter must offer employment, educational, recreational and health care facilities, an acceptable cost of living,

(25) Population growth supported by immigration to these metropolitan areas places heavy pressure on infrastructure and services (housing, transportation, social services, health care, education).

satisfactory communications media, etc. In the final analysis, it is a region's economic growth that determines the success of efforts to attract and retain immigrants, and not vice-versa.(26)

If immigrants are generally not inclined to settle in the regions, can they be forced to do so? Some people have suggested the possibility of contractually obliging newcomers to settle in the regions in order to ease the pressure on the large urban centres. This idea, however, is fraught with major obstacles from the outset. For one thing, it violates the freedom of movement guaranteed to all Canadians, including landed immigrants. Furthermore, which immigrants would agree to sign such a contract? In all probability, only the least skilled. In other words, the unskilled immigrants would go to the regions, while the best qualified would settle in the large cities, as they would naturally be inclined to do.(27) Such an arrangement would obviously be of no value to the regions.

IMMIGRATION'S PLACE IN THE CANADIAN GOVERNMENT'S POLICY STRUCTURE

Some say that the objectives of immigration to Canada for the next century will probably be very different from the 20th century's objectives. So far, immigration has played a central role in Canada's political and economic development: settling Western Canada early in the last century, supporting population growth in the 1950s, and modernizing the national economy through the influx of skilled workers in the 1960s. These economic reasons have largely vanished, and the admission of new immigrants is increasingly based on social and humanitarian considerations. This does not stop immigration from having an appreciable impact on the national economy and especially local economies.(28)

Certainly, as indicated above, immigration does not appear to be a realistic solution to the problem of population aging; there is worldwide consensus on that point. Moreover, immigration's potential as an economic and demographic growth factor for outlying areas, rural areas and small municipalities is clearly limited as well, in view of immigrants' basic preference for the large urban centres.

Even though many studies have concluded that the net economic benefits of immigration are virtually non-existent, it is impossible to be certain because the methodological

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(26) Citizenship and Immigration Canada, *Towards a More Balanced Distribution of Immigrants*, May 2001 (http://www.cic.gc.ca/english/pdf/research-stats/geographic.pdf).

(27) Charles M. Beach, Alan G. Green and Jeffrey G. Reitz, "Canadian Immigration Policy for the 21st Century," John Deutsch Institute for the Study of Economic Policy, Queen's University, Kingston, 2003.

(28) *Ibid*.

and data constraints are so formidable. Long-term studies at the local or regional level may shed some light on this at some point.

It is important to keep in mind, though, that a number of international examples indicate that there is no link between the size of the population on one hand and its material living standards and wealth on the other. In addition, according to the now defunct Economic Council of Canada, there is no solid evidence that population growth in a developed economy improves its overall standard of living.(29) Nor is increasing the size of the labour force through immigration a sufficient condition for strong economic growth.(30) In fact, population growth that does not lead to higher productivity and living standards has little economic relevance.

Acknowledging that education is the key variable in raising a population's material living standards, the theory tells us that in order to effectively influence the population's productivity and standard of living, migration must first contribute to the pool of human capital available in the economy. In other words, net migration must increase the skill level of the workforce. In fact, the competition between a number of countries to attract the most talented people and highly skilled workers is all about obtaining more human capital. Yet bringing in skilled immigrant workers is, in some ways, a substitute for national training programs. For the sake of efficiency, then, Canada should attempt to determine how much it should rely on immigration and how much on education to meet its requirements for skilled labour, taking current labour force participation rates into account.

Immigration's role in the labour supply shows that this is a complex, multifaceted issue that concerns all levels of government. Although immigration policy is mainly determined by the federal government, it is a major concern for the provinces and municipalities: while they may benefit from immigrants' drive, they must also provide services for the newcomers and upgrade their infrastructure in response to the demographic pressure that is partly due to immigration. Expanding services and infrastructure is expensive and is primarily funded at the local level, rather than by the federal government. As a result, the difference between immigration's economic benefits and costs can be negative at the local level. Moreover, local authorities have little control over how many immigrants they receive.

On the other hand, the possibility that future studies of immigration's economic impact will take a regional and local approach, as advocated by some demographers, offers hope that all the costs (more traffic, more pollution, more demand for public services, energy, water,

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(29) Economic Council of Canada, *New Faces in the Crowd: Economic and Social Impacts of Immigration*, Ottawa, 1991.

(30) Beach, Green and Reitz (2003).

arable land, etc.) and all the benefits (creation of economic wealth, economies of scale, cultural diversity, international contacts, etc.) associated with immigration and population growth can be weighed, and that Canada's immigration policy can be adjusted accordingly.

Two pertinent examples are housing and land use. Population growth ultimately increases the demand for housing (assuming household size remains constant) and therefore drives up housing prices, since the supply is inelastic in the short term. In recent years, the rental market has not been immune to the pressure on prices, and this has made rental housing less affordable and increased the demand for new subsidized housing, for which the provinces and municipalities are primarily responsible. Immigration is not the only reason that many rental markets in Canada have become tighter in the last few years, but it is a prominent factor for three reasons: it contributes heavily to the formation of new households, which drives housing demand; it is highly concentrated in specific urban areas; and new immigrants prefer to rent when they first arrive in Canada.

Land use, especially in relation to urban sprawl, is another example of costs and benefits that are not properly accounted for. Despite efforts to promote "smart growth,"[31],[32] urban sprawl is a costly phenomenon that cannot be curbed on a sustainable basis as long as population growth continues under the current model.

In short, with respect to these two examples, a comprehensive economic analysis is needed to account for both the economic benefits associated with increased real estate activity and additional public spending on infrastructure (reflected in the National Accounts), and the social costs associated with the scarcity of affordable housing, the loss of productivity due to congestion in the transportation system, environmental degradation, the loss of high-yield agricultural land, increased generation of greenhouse gases and waste, etc.

At a time when the federal government is increasingly sensitive to the economic difficulties plaguing metropolitan areas (funding for public services, infrastructure renewal and development), it may wish to examine how its own policies interact and how those policies, especially the immigration policy, help or hinder the development of Canada's cities, which now more than ever are the economic engines of the country.[33]

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(31) Roy Beck, Leon Kolankiewicz and Steven A. Camarota, *Outsmarting Smart Growth: Population Growth, Immigration and the Problem of Sprawl*, Center for Immigration Studies, Washington, D.C., August 2003 (http://www.cis.org/articles/2003/SprawlPaper.pdf).

(32) Government of Ontario, Ministry of Public Infrastructure Renewal, Smart Growth Secretariat, "Our Vision," *Smart Growth* (http://www.smartgrowth.gov.on.ca/userfiles/HTML/nts_2_5152_1.html).

(33) Judy Sgro, *Canada's Urban Strategy – A Vision for the 21st Century*, Prime Minister's Caucus Task Force on Urban Issues, Interim Report, April 2002 (http://www.liberal.parl.gc.ca/urb/Vision_English.pdf).