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SHOULD WE CLOSE OUR BORDERS?

CANADA'S IMMIGRATION POLICY



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By Daniel Klymchuk

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Canada's Immigration Policy



About the Author

Daniel Klymchuk

is the director of the Frontier Centre's Immigration Frontiers Project and also provides other policy analysis at the Frontier Centre for Public Policy. He has held an executive position in strategic planning of corporate real estate requirements for 23 years with Canada Safeway Limited and CIBC. He is a member of the International Council Of Shopping Centres, a world wide organization devoted to the enhancement of understanding of the process of private and public real estate development on communities. He is past president of the Canada Safeway Credit Union.

About the Immigration Frontiers Project

The Immigration Frontiers Project (IFP) examines innovative ways to promote the establishment of targeted immigration policies and critically examine the policy impediments to substantially increased levels of immigration.

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Suite 25 Lombard Concourse, One Lombard Place
Winnipeg, Manitoba CANADA R3B 0X3

Tel: 204 957-1567 Fax: 204 957-1570
www.fcpp.org

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Executive Summary



CANADA'S IMMIGRATION POLICY: SHOULD WE CLOSE OUR BORDERS?

- A recent Fraser Institute study argues that Canada takes in too many immigrants.
- It claims that our economy performs better during periods of lower immigration, but its use of statistics is highly selective. Immigration has historically promoted economic expansion.
- It cites American evidence that immigration harms the bottom end of the labour market, but the circumstances cited do not apply to Canada.
- Wage competition between new immigrants and former ones does exist, but the effect is temporary.
- The study blames immigration for Canada's brain drain, but other factors drive it.
- The shortage of skilled workers is minimized, and the need for immigrants to augment their ranks ignored.
- The paper fails to address Canada's increasing proportion of workers to non-workers.
- Despite included evidence to the contrary, the study insists that the costs of immigration outweigh the benefits.
- The study worries about costs of immigrant social services, but the social investment they bring with them more than compensates for them.
- Given Canada's long tradition of tolerance and assimilation, social impacts are not as serious as the paper suggests.
- Immigrant crime rates are low, not merely underreported.
- Overall, higher immigration levels do not hurt Canada, they benefit the country.

INTRODUCTION

A recent paper from the Fraser Institute – *Canada's Current Immigration Levels Undermining Tolerance and Acceptance* – examines the economic, demographic and social implications of our current level of immigration of 230,000 people a year. Author Martin Collacott argues that “there is a lack of economic and demographic justification for current immigration levels.”¹ But he takes a pessimistic view of the value of human capital, or the capacity of this country to absorb large numbers of new arrivals to our advantage.

ECONOMIC BENEFITS OF IMMIGRATION

The essay's first statement sets the tone. The “most comprehensive examination of the relationship between immigration and economic benefit,” Collacott writes, was contained in *Economic and Social Impacts of Immigration*, a paper released by the Economic Council of Canada in 1991.² The EEC study “found” that the fastest growth in real per capita income over the last century occurred when net immigration was “zero or even negative.” Only after World War Two, the EEC study continues, did economic growth and major immigration coincide, and in their view the economic expansion spurred the immigration, not vice versa.

Furthermore, the EEC study adds, the Canadian Department of Health and Welfare “found that there was no correlation whatsoever between population growth and economic growth in the 22-member OECD.”³ Further proof is cited in the report of the 1985 Macdonald Commission, which concluded that “high immigration causes real income and real wages to decline.”⁴ But the EEC study is inconsistent. It also says that “for every one million new immigrants the economy grows by .3%.”⁵ Immigration does enlarge the economy, but apparently not in sufficient degree to be important.

Lastly, Collacott's paper cites an alarming 1998 study by the OECD. It suggests the Canadian standard of living could possibly decline by 25 percent below the average of OECD countries because our population is growing faster than that of other leading nations.

An emotional subject like immigration prompts no lack of studies. Although our current annual immigration level of 230,000 appears high when compared to the U.S. – on a per capita basis .06 percent versus .03 percent -- we have experienced much higher levels in the past. In 1913, for example, Canada admitted a whopping 400,870 immigrants when our population was only about eight million. On a per capita basis, this is eight times the level permitted in 2002. In fact, during the four years 1910 to 1913, almost 1.2 million immigrants entered Canada, over 10 percent of the population at the time.⁶ The economy expanded and absorbed the additional people.

The EEC study overlooks these events and concludes that, to the contrary, Canada would have grown at approximately the same rate without immigration. An analysis that focusses on a short period of time like five years may appear to show that immigration has had little effect on the economy. Although the EEC study purports to have drawn

conclusions by examining this issue over a long period of time, common sense suggests otherwise.

From 1945 to the present, the Canadian population increased by just over 16 million, of which 19 percent was due to direct immigration.⁷ When the Canadian-born children of immigrants are included, the percentage doubles. Roughly 40 percent, or 12 million of our current population, can be traced to this immigration flow. During this same period, the Canadian GDP increased from \$150 billion to just over \$1 trillion.⁸ Immigration played a huge role in the expansion of the Canadian economy.

Growth between 1991 and 2001 further illustrates the strong connection between immigration and economic growth. Population increased by 2,710,000, of which immigrants accounted for 1,800,000 or 66 percent. During this period the federal government was able to achieve budget surpluses for the first time since the 1950's.

The most telling statistic, however, is for the period from 1996 to 2001. Growth in population was only 4 percent, the third lowest in history for that length of time but, more importantly, all the population growth was due to immigration. The Canadian population would have declined if not for immigration. It is also interesting to note that the three countries that take in the most immigrants, Canada, Australia, and the U.S. also have the lowest unemployment rates among the OECD.⁹

HIGH UNEMPLOYMENT AND HIGH SCHOOL DROP OUTS

Another statistic of interest raised by the paper regards unemployment among high school dropouts in the U.S. A Harvard study estimates that about "44 to 60% of the apparent drop in wages experienced by high school dropouts is due to the arrival of large numbers of unskilled immigrants."¹⁰ In the absence of a comparable Canadian study, any extrapolation from the American statistics is at best a guess. Further, the nature and size of the American problem with illegal immigration conditions the Harvard study's conclusions. Its huge influx from Mexico – it is estimated that as many as 500,000 unskilled illegal workers are in the U.S. at any given time – accounts for the Harvard findings. But this situation of a bordering low income country has no parallel in Canada.

COMPETITION BETWEEN IMMIGRANTS HARMFUL

The Collacott paper points out that the most recent immigrants to Canada compete directly with existing ones. The paper quotes the *Economist* to the effect that wages decline for immigrants by 4 percent for every 10 percent increase in immigration numbers.¹¹ Although this presents an additional challenge for people starting new lives in Canada, the effect is temporary. Over time, as highlighted in the recent Frontier Centre backgrounder - *An Immigration Profile of Winnipeg - Winnipeg and the 2001 Census*¹² - immigrants become integrated into the economy, their average wages rise and, in the case of immigrants since 1980, surpass overall Canadian averages.¹³

IMMIGRATION AND THE BRAIN DRAIN

Another thesis of interest in the Collacott paper is that current immigration levels contribute to Canada's brain drain.¹⁴ Foreign-born engineers now comprise almost one-half of all degree holders in Canada. This oversupply, the paper suggests, is the reason Canadian salaries in the field have failed to keep pace with those in the U.S. A study by Industry Canada has concluded otherwise.¹⁵

The Industry Canada study discusses the widening gap between the two countries in job opportunities, personal taxation and salary scales, and suggests that these factors underly the 250 percent increase in visas granted to Canadians to work in the U.S. over the last ten years. In all knowledge sectors of employment, take-home pay, after adjustments for differences in the purchasing power of the currency, is approximately 40 percent higher in the U.S. at all levels of work experience. The main reasons Canadians go south are the wealth of job opportunities and higher salaries experienced in industries like health, biotechnology and information and communication technologies and a tax regime that favours skilled, high value occupations.

Engineering is just one of many areas in which Canadian salaries cannot compete. The study cited above strongly recommends that Canada enlarge its economy so as to develop greater job opportunities in these rapidly growing sectors. The brain drain will continue to be Canada's Achilles Heel until Canadian governments take steps to decrease their involvement in the economy and thereby reduce overall tax rates. The differences in the size and cost of our respective public sectors (i.e. with Canada's consuming a higher percentage of the overall economy) and the wide gap in top marginal tax rates offer a better explanation for the Canadian brain drain to the United States than pressure from new immigrants.

IMMIGRATION AND THE ANTICIPATED SHORTAGE OF SKILLED WORKERS

In 2001, the Conference Board of Canada estimated that by 2020 this country will face a shortage of as many as one million skilled workers.¹⁶ Whatever the precise level of the shortage of skilled workers eventually proves to be, no one doubts that it will be large. The projected U.S. shortage is expected to be ten million by the year 2010,¹⁷ more bad news for our brain drain problem. Collacott claims that the possible size of the shortage is exaggerated and that, in any event, upgrading the existing workforce is the solution.

He supports his view by referring to "a recently published study by the Canadian Council on Social Development and the Columbia Foundation [concluding] that, if anything, there is probably a labour surplus in Canada because of high youth unemployment, an unused stockpile of accumulated formal education and large numbers of workers forced into part-time work."¹⁸ This assertion has merit. Our educational systems, together with professional and union organizations, need to rethink how credentials are granted. Well-educated people should have their work experience and education recognized to permit the more productive use of existing career credentials. But even if this reservoir were fully tapped, it could never meet the anticipated shortage. Our need to meet the demand for skilled workers will continue to require high levels of immigration.

DEMOGRAPHIC BENEFITS - IMMIGRATION AND AGING

Will immigration help increase the ratio of workers to non-workers? Collacott dismisses Canada's demographic time bomb. He quotes a study to this effect: "Without any net migration and with no change in the current fertility rate our population will continue to grow for another dozen years."

However, the new data in the 1996-2001 Census update shows that this this projection is inaccurate.¹⁹ The new information reveals that Canada experienced one of its smallest census to census growth rates in history, a gain of only 4 percent. Net immigration accounted for the entire increase in population -- it would have declined over the last five years but for immigration.²⁰

Another UN study is referred to that states "the U.S. would have to raise its population to 1.1 billion by 2050 to maintain current dependency ratios (number of workers to non-workers)." But using the past to predict future population trends is becoming less accurate. For example, in opposition to the U.N. prediction, a study by the *Economist* predicts that the U.S. population will grow to between 400 and 500 million by 2050 and that the median age will be 37 years.²¹ The reason? American latino and black populations have a fertility rate above the replacement level of 2.2 births. By contrast, Europe is projected to have a median age of 52 by 2050. The *Economist* did not predict Canada's median age. But ours will likely have more in common with Europe since we do not have near the equivalent of America's large, more fertile minority populations.

He also quotes from the book, *Boom, Bust and Echo* by David Foot, that Canada "will have labour market surpluses before we get to the labour market shortages."²² Mr. Foot adds "that we still have a jobless rate of 7% and that doesn't sound like a labour shortage to me." But the fact is that 1.8 million immigrants entered Canada over the last ten years and the unemployment rate decreased from 9 percent to 7.1 percent. This simply illustrates the economic fact that an expanding economy creates more opportunities for everyone, including the unemployed. Moreover, it is well-known that Canada's unemployment rate is artificially higher than its American counterpart, due to policies that include overly generous employment insurance payments and regional subsidy programs that actively discourage labour mobility between high and low unemployment areas.

THE COSTS OF IMMIGRATION

The precise costs of immigration to the Canadian taxpayer, Collacott concedes, are not known but he nevertheless assumes that they are very high. In 2000, John Manion, former Deputy Minister of Immigration and Secretary of the Treasury Board, estimated the direct annual cost to be in the area of \$2 to \$4 billion.²³ The paper also points out that cities and provinces shoulder a great deal of the costs, much of which are hidden. Collacott concludes that these high costs outweigh the benefits, particularly for immigrants arriving after 1980.²⁴

This conclusion does not reflect the experience of the Canadian economy over the last 20 years. Since 1980, 2,872,180 immigrants have entered Canada²⁵, our GDP has increased from \$550 billion to \$1,050 billion, federal government tax revenue has increased from \$49 billion to \$174 billion²⁶, and starting in 1998, there were budget surpluses for the first time since the mid 1950's. Interest and unemployment rates stand at historically low levels and trade with the U.S. is beyond any economist's expectations. Such an economic performance would not be possible if immigrants were a net economic loss to the country.

In a contradictory moment, Collacott admits that a high immigration level "creates a larger labour pool, lower wages and acts as a stimulus to the economy by producing larger profits."²⁷ The paper adds that this creates a "direct benefit to producers as well as, to some extent, consumers." Yet he still asserts that the total costs of immigration to the economy outweigh the benefits.

FAMILY REUNIFICATION

The Canadian policy toward family reunification, the Collacott paper insists, is simply one more reason a high level of immigration is not good public policy. By allowing in other family members, Canada assumes a liability, not an asset. In pure economic terms, his conclusion is valid. But only about 20 percent of new immigrants each year fall into this classification.²⁸ Further, many small businesses are viable only when members of the extended family are there to help. This highly politicized issue needs to be examined on its merits.

OTHER ARGUMENTS

Collacott also comments on other arguments for a high level of immigration he believes to be invalid. Immigration activists, he contends, often use the argument that "my grandfather would have been excluded under the present standards." He asserts that this is a different time in history, that Canada has expensive social benefits for all and that immigrants can abuse them.

There is no question that during their first five years of residency, immigrants do use social services much more than the average Canadian. But there is evidence that this gap disappears over time. The cost of immigration should be viewed as an investment in the future, like educating children. The accumulated cost of educating each Canadian child comes to about \$150,000 before that child becomes a net contributor to our economy.

Given that fact, it is disputable whether immigration imposes a net cost on the Canadian taxpayer at all. For example, when an engineer elects to emigrate to Canada, the total cost of that person's education is borne entirely by the taxpayers of the country of origin. About 19 percent of recent immigrants hold a university degree, versus 13 percent for the Canadian-born population. By opening our borders, we capture that capital investment from foreign taxpayers and acquire workers who are highly trained at no cost at all. Initial transition costs, including social service outlays, pale in comparison.

At the other end of the spectrum, the proportion of recent immigrants with less than high school education is higher among immigrant women but lower for men relative to the Canadian population.²⁹ In fact, the most daunting obstacle facing immigrants is obtaining fair recognition for their credentials and skills so that they may fully participate in the economy. This disconnect forces immigrants to live with higher average levels of underemployment for up to ten years. This kind of excessive occupational regulation is professional discrimination. It is partly responsible for larger social service costs for new immigrants. A rational response would be to reduce those costs by lowering such barriers to participation, not by keeping people out.

SOCIAL IMPACT OF IMMIGRATION POLICY

In terms of social impacts, Collacott's paper again relies on the 1991 ECC report that states "it found that the economic and demographic benefits of immigration were minimal at best" and that further increases in immigration "run the risk of provoking social and other problems."³⁰

Sociologists often regard the state of California as predictive of the future for the whole country. The classic family descended from Europeans is now in the minority in this state, yet with that change has come greater, not less, toleration. Although Canada might experience some social tension in areas of high concentration of immigrants, an accurate reading of our history shows we are more likely to follow the California model.

Collacott envisions a bleak future where immigration will create "full-fledged ethnic ghettos where minority groups can live in poverty for more than one generation."³¹ Indeed, in the past, Canadian cities had ghettos of various immigrant groups which persisted past the first generation. But they were subject to much greater discrimination than exists today. The pattern now is one of rapid integration into Canadian society, a reflection of the much higher levels of tolerance we enjoy today.

Collacott observes that "modern communication and technology may slow down integration of immigrants."³² His theory is that immigrants may retain stronger homeland connections because of the use of technology. The information revolution has indeed made the world a much smaller place. But on balance these enhanced communications have helped expand toleration of other lifestyles, not hinder them. Some parochial groups may attempt to balkanize the world by using technology to strengthen ethnic ties to their home countries, but many observers agree that the trend is in the other direction.

PROBLEM OF CRIME IN IMMIGRANT COMMUNITIES

Crime, Collacott suggests, is considerably higher among "ethnic groups" than is reported. Organized crime and gangs have formed among some ethnic groups in Canada, but they are hardly widespread. Canada has received people from over 100 countries, yet where are the ethnic gangs representing each of these countries?

Some Asian groups like the Vietnamese in Vancouver are disproportionately involved in the lucrative drug trade. British Columbia has blossomed into the largest producer of marijuana in North America, a one billion-dollar plus industry, but a wide variety of ethnic and social groupings participate in it. Membership in organizations like the Hell's Angels is obviously more important than one's country of origin. The fact that the Canadian justice system largely ignores marijuana growers has more to do with increased production than liberal immigration policies. Far fewer immigrants are charged with criminal offences than the Canadian-born. Crime rates have generally decreased over the last 20 years, even though 2,872,180 immigrants arrived in Canada since 1980.

The last issue raised by Collacott's paper is terrorism and its apparent link to immigration. Terrorists are more sophisticated today and apparently can obtain easy entry into Canada, either legally or illegally. But this is a security issue unrelated to the level of immigration. Terrorists have penetrated every European country even though immigration is very restricted in these countries compared to Canada.

HIS RECOMMENDATIONS

Collacott's paper concludes with a series of recommendations for the Canadian immigration department.

The immigration level should be based on a specific population objective.

The federal government has identified one percent of the Canadian population as the optimum level of annual immigration. This means that the current annual immigration of 230,000 will increase to 300,000. Collacott finds that to be intolerably high. But Canada is a small aging country with a birthrate below replacement. In the past we could rely upon natural population increases for a portion of the total increase each year. This is no longer the case. The 2001 Census update – showing that all our population increase derives from immigration – illustrates how dramatically the situation has changed. This fact has no parallel in our demographic history, and we should be relieved that we have the option of increasing our population by welcoming more immigrants.

The Federal government should be held accountable for the costs of immigration.

There is widespread agreement on this issue. The federal government is responsible for immigration and therefore must shoulder the costs. It is unfair to impose financial burdens at the provincial or municipal level for decisions taken by the senior level of government.

The Federal government should encourage new immigrants to locate in areas where the population is declining.

This is a very telling recommendation. The paper portrays current immigration levels as expensive and undesirable. Apparently if immigrants locate somewhere else than Vancouver or Toronto, all the other issues raised by Collacott melt away.

Without explicitly saying so, this paper is primarily concerned with the concentration of immigrants in two cities, Toronto and Vancouver. These two cities receive almost 80% of all immigration, which is not desirable. If this continues unabated, Toronto may come to resemble Mexico City. The federal government is just now awakening to the distortion in settlement patterns. Recently Immigration Minister Denis Coderre proposed obligating immigrants to locate in other provinces, but it is too early to tell if this will work. Even if this policy is successful, it will do nothing to address the problem of congestion in Toronto or Vancouver, as they remain meccas for the Canadian-born as well. It also does not address the broader policy challenges in places like Manitoba and the Maritimes, for example, where the existing policy mix (high taxes, dependence on federal subsidies etc.) actively discourages investment and economic growth, and therefore immigration.

Canada should fill the shortage of skilled workers internally.

This recommendation has merit, but it is not realistic to rely on this approach to solve our demographic problem. Even at today's levels, immigration does not meet the needs of industry for skilled and educated people. Our well-meaning but rather inert public universities contribute to manpower shortages in many key areas. Publicly funded universities are inflexible and unresponsive to the needs of a complex dynamic economic system. We can move forward only if this alarming shortcoming is recognized and private institutions are allowed to flourish.

The family class category for immigrants should be reduced or eliminated

This will always be an emotional issue. It should be examined and certain safeguards should be put in place. There is, however, little evidence to indicate the level of harm that Collacott suggests is occurring. Extended families produce stability for immigrants in a new environment, a major social benefit. If the problem exists, it probably has more to do with how government dispense social benefits rather than who receives them. Medicare is a prime example of a system riddled with structural difficulties. Fixing such problems is a better remedy than reducing our exposure by restricting immigration.

We should concentrate, for the present, on the successful integration of immigrants who are already in the country rather than complicate their situation by placing them in competition with large numbers of additional newcomers.

This ignores demographic realities and flies in the face of ongoing economic globalization. Canada can close its borders, but no serious economist argues that such a move would enhance the living standards of those who are already here.

It is abundantly clear that available resources are far from sufficient to screen out individuals who pose a threat to Canada in terms of crime, terrorism or health.

This is a matter of proper security measures and has nothing to do with the number of immigrants. By helping our economy grow, immigration provides a

wider tax base capable of supporting comprehensive, expensive security measures. Crime is statistically lower among immigrants, despite their difficulties with economic adjustment, than among Canadian-born.

CONCLUSION

Immigration is a complex and emotional topic. The problems frequently associated with it often have other causes that should be addressed individually in their own unique circumstances. Closing our borders, as Collacott suggests, would make many of the ills he raises worse, not better.

Canada is fortunate to be a land of immigrants. They have enormous tenacity, a quality that never hurts a country. The future rests with diversity and innovation. Canada belongs to a tiny group of privileged nations that realistically can continue to absorb millions of new people from around the world and flourish in the process.

¹ *Canada's Current Immigration Levels Undermining Tolerance and Acceptance*, by Martin Collacott, the Fraser Institute, September, 2003, p.6.

² *Ibid.*, p. 6. Collacott cites *Economic and Social Impacts of Immigration*, issued by the Economic Council of Canada, 1991.

³ *Ibid.*, p. 7.

⁴ *Ibid.*

⁵ *Ibid.*

⁶ www.migrationinformation.org.

⁷ www.newint.org/issue305/facts.

⁸ StatsCanada.

⁹ www.newint.org?issue305/facts.

¹⁰ *Canada's Current Immigration Levels Undermining Tolerance and Acceptance*, op. cit., p. 8.

¹¹ *Economist*, June 29, 2002, p.54.

¹² An Immigration Profile Of Winnipeg - Winnipeg And The 2001 Census, Frontier Backgrounder Number 18, by Daniel Klymchuk, the Frontier Centre for Public Policy, July 2003

¹³ These facts and others are drawn from a Frontier Center's backgrounder, *Profile of Immigrants*, The statistical information is contained in *Recent Immigrants in the Winnipeg Metropolitan Area*, Citizenship and Immigration Canada, September, 2000.

¹⁴ *Canada's Current Immigration Levels Undermining Tolerance and Acceptance*, op. cit., p. 9.

¹⁵ *Micro-Economic Analysis*, by Shane Williamson, Director, MEPA, Industry Canada, May 4, 2000.

¹⁶ *Ibid.*, p. 10.

¹⁷ *The Futurist*, March-April, 2002, p. 6

¹⁸ *Canada's Current Immigration Levels Undermining Tolerance and Acceptance*, op. cit., p. 9.

¹⁹ *1996-2001 Census Update*, Statistics Canada, p. 64.

²⁰ www.newint.org?issue305/facts.

²¹ *Economist*, January 15, 2003, p. 68

²² *Canada's Current Immigration Levels Undermining Tolerance and Acceptance*, op. cit., p. 10.

²³ *Ibid.*, p. 16.

²⁴ *Ibid.*, p. 17.

²⁵ Statistics Canada, *Census of Population Update*, May 2003

²⁶ *National Income and Expenditure Accounts*, Federal Department of Finance

²⁷ *Ibid.*

²⁸ *1996-2001 Census Update*, op. cit.

²⁹ Infometrica, 2001, p. 28.

³⁰ *Canada's Current Immigration Levels Undermining Tolerance and Acceptance*, op. cit., p. 28.

³¹ *Ibid.*, p. 29.

³² *Ibid.*