



IMMIGRATION, MANITOBA'S LIFELINE

More Citizens Needed to Defuse Demographic Timebomb

By Daniel Klymchuk

Executive Summary

Manitoba faces a demographic time bomb, a shortage of its most valuable resource, people. An aging population with declining birth rates and a miniscule portion of national immigration numbers cannot provide the skilled workers necessary to an expanding economy.

An aggressive program of provincial recruitment of immigrants would address this problem. The potential benefits of an expanded program far exceed its costs. Two communities in southern Manitoba have pioneered an effective model for finding and absorbing immigrants. Raising the number the province can bring in without federal control from an annual 750 to 5,000 would allow Winnipeg's population to grow by three percent a year.

To be successful, such a program would entail at least a tripling of provincial spending per capita on language training and cultural transition. The province would also have to address existing barriers to employment. The use of private agencies to seek and screen potential newcomers at source has been a cost-effective method of recruitment and retention.

Potential public resistance to higher levels of immigration can be countered with a clear explication of the policy's economic logic. An expanded workforce widens the tax base. The relative youth and motivation of selected immigrants mean that they place fewer demands on public services. We also capture the value of the education investment they carry with them.

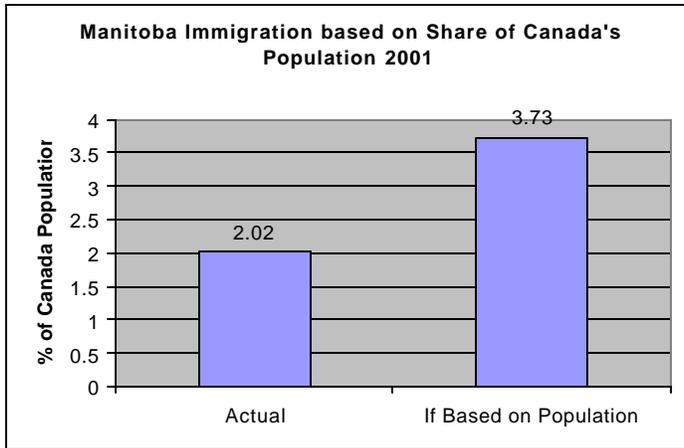
Manitoba will not succeed in the new economy without more human capital. Part of the challenge of low population growth must be addressed through policy reforms that lower taxes while improving services to reduce incentives for out migration. Aside from this, we need to recognize that an ambitious program of immigration played an important role in building the province, and can in the future.

Background

The most valuable resource in any community is its people. Over the last quarter century, Manitoba has generously supplied this resource to other provinces, with most of those years showing a net out migration, often of the youngest and brightest. The reasons for this outflow are due to complex policy reasons not dealt with here. We can safely say, however, that Manitoba is in the midst of a hidden crisis: our economic performance is threatened with a desperate shortage of productive people. As the demographic bubble called the "baby boomers" retires from the work force, a larger population may be the only way to ensure our future viability. As our population ages, health costs will rise sharply --- which translates into higher taxes on a work force that has not grown sufficiently to meet the anticipated level of expenditure. Higher taxes mean a further loss of the working population to other provinces and still higher taxes or reduced services. Bringing new families to Manitoba is a public policy whose time has come.

Last year, Manitoba attracted only 4,584 immigrants, an increase over 1999 (3702) and 1998 (2993). This province's current share equals 2.02% of the annual migration to Canada, even though our population represents 3.73% of the national total. Of that number, 1,017 (or 22.19%) entered Manitoba as refugees instead of workers with needed skills. Although this tilt merits moral

approval, its presence reduces the immediate economic value of our disproportionately small share of Canadian immigrants. Prof. Lubomyr Y. Lucuik, professor of political geography at Royal Military College and a critic of Canada Customs and Immigration policies, has harsh words for the process. In the Sept.25, 2001, *Winnipeg Free Press*, he stated that the vast majority of refugees were simply "beating the system". Their ingenuity aside, it is likely that people who are chosen for their skills rather than their political misfortunes would better serve Manitoba's economy.



Source: Statistics Canada

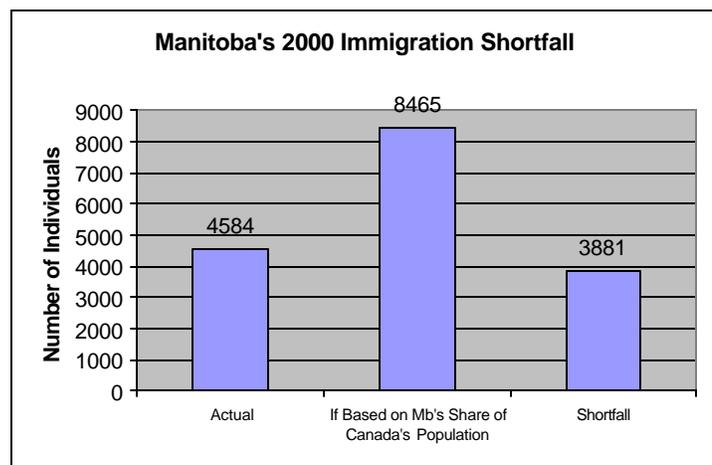
Although the number of newcomers to our province is miniscule, it would be even smaller if it were not for two agreements in place between Ottawa and Manitoba. The Canada - Manitoba Immigrants Agreement of October 1996 and, more importantly, a June 1998 amendment to it, allow the province to skip the federal process and nominate immigrant applicants directly. This program, although modest in scope, has worked well. In the cases of Steinbach and Winkler, two thriving communities in southern Manitoba, it has worked very well. These two cities have combined resources to hire an agent to source immigrant candidates in Germany.

Under this arrangement, about 1,200 immigrants plus family members have been "imported" since 1998. This number of new people is significant, considering their populations levels of about 9,800 and 8,500 respectively -- and have spurred population growth rates of 15.5% and 17% over five years. Note that if Winnipeg, which grew 0.53% from 1991 to 1996, had grown at the same pace as these two rural communities, it would hold 100,000 more people today.

Hurdles to Increased Immigration

Companies in Winnipeg with problems recruiting and retaining skilled workers have often come up short of their target goals for hiring foreign candidates. If the Province decided to fast-track a significant increase in immigration and retention, the following hurdles would have to be overcome:

- The provincial nominee program currently allows a maximum of 750 applicants. Any number above that is handled federally, which enables applicants to choose their own locations.
- Applicants not fluent in English face great difficulty in technical areas or in dealing directly with the public. Many also experience "culture shock" and have trouble adjusting to Canadian values and social mores.
- Given that each country is different in its training and educational programs, evaluating the level and standards of applicants' skills is problematic. Further complicating the matter is the reluctance of Canadian professional associations and unions to co-operate. They routinely resist accreditation of the training of skilled immigrants who are already here, most of whom



Source: Manitoba Labour & Immigration

are forced to accept under-employment. Recently, the Conference Board of Canada reported that more than one-half million Canadians, former landed immigrants, could be earning up to six billion dollars more per year if only they were given credit for the skills they possess. The Board added that acceptance of their qualifications would raise our national productivity and standard of living.

- Canadian citizens have mixed feelings about immigration, a trait they share with people in other developed countries. The RAND Corporation, an American think tank, notes that the public has been against immigration since it began polling in 1940. The value of our historic tradition of high immigration levels needs to be re-explained.
- Uncovering fraudulent applicant documentation is a never-ending, lengthy and expensive chore.

Strategies for Increasing Immigration

What strategies might be successful to meet these problems and obtain the numbers of new people we so urgently need?

- **More Nominees** - The most obvious change would dramatically increase the number allocated to Manitoba under the provincial nominee program from 750 to, say, 5,000. This would give us effective provincial control of the process, a position the Province of Québec has enjoyed for many years. When applicants' family members are included, the total of annual immigration would approach 25,000. At present, only 79% of immigrants to Manitoba settle in Winnipeg, but aggressive recruitment tied to residency requirements could easily raise that proportion to 90%. That would require the city to absorb 22,500 people every year, only about a 3% annual increase in population.
- **Invest in Assimilation** - The problems of language and cultural assimilation would require a substantial increase in the provincial budget dedicated to these purposes. The provincial immigration budget today stands at \$8.9 million, or \$1,941 per immigrant, an amount that covers all costs, including processing, settlement and language training. The Federal government also devotes resources to the task by funding such immigration infrastructure as overseas offices. If the Province combined those budgets, and increased them substantially, say to \$6,000 per immigrant per year, the total would still represent a very small portion of its annual expenditures. The government of Israel has had great success – they increased their population from five million to six million in the last five years – by underwriting “absorption centres”, where immigrants receive intensive language and cultural instruction. The potential economic returns from the work of more immigrants far outweigh the immediate cost of acclimatizing them. The Province's budget would recover the money in the form of increased tax revenue within a very short time.
- **Address Occupational Barriers** - There must be a fair and expeditious assessment of each applicant's skills and adaptability. Associations and unions must be more flexible in accepting foreign credentials or have their guild controls overridden by temporary fiat. For example, doctors who have practiced medicine for ten years in Russia are required to repeat their internships in Manitoba. Forcing an experienced doctor to join the ranks of new medical graduates may suit the interests of Canadian doctors, but it is obviously not helpful to Canadian patients and reduces the tax returns from highly skilled work. Other barriers to workplace entry, like exorbitant licensing fees and restrictive quotas, must also be addressed.
- **Third Party Agents** - One element of success in the Steinbach and Winkler immigration programs has been the use of third-party agents to source applicants. Canadian consular staff in other countries, who now process new immigrant candidates, have neither the time nor the resources to investigate them and simply pass applications into the slow processing system used by the federal government. Although expensive -- about \$3 -5,000 for each applicant -- this service saves time and is much more effective in assessing and screening for suitability. The Manitoba Medical Association has also used private recruiters to attract doctors from South Africa.

The Benefits of Increased Immigration

The last obstacle, convincing the public to accept a large, quick increase in immigration levels, is perhaps the easiest to overcome. On economic grounds alone, a large increase in the immigration and the budget to pay for it is more than justified. These simple arguments need to be communicated:

- A larger population leads to a larger, more diversely employed tax base. This can mean fewer people leaving the province and, ultimately, a reduction in taxes as we reach an optimum population.
- According to a study by the Cato Institute, an American public policy think tank, immigrants are younger and in better health than the already settled population. They will therefore remain in the work force longer than average and will make less than average demands on the medical system.
- Most immigrants bring a high school or better education to Canada with them. Higher education aside, a basic public education costs the taxpayer about \$7,000 per pupil per year. The value captured in a landed immigrant with Grade XII represents, then, at least \$84,000, and the amount is much higher if he or she possesses post-secondary training. Devoting even a small portion of that "found money" to sourcing applicants and teaching language skills passes the cost and benefits test of public policy with flying colours.

Fix Root Causes of Population Stagnation

An expanded immigration program could play as much a role today as it did for our forefathers, as part of a broad shift to policies that aggressively promote economic growth. But Manitoba policy-makers also need to address the underlying reasons for decades of out-migration and slow growth. To stop the leakage of people to other provinces and keep new citizens here, Manitoba should adopt policy reforms that improve the productivity of its public services, remove regulatory and policy constraints that block expansion in important sectors of the economy, and lower the high tax rates that make the province less competitive.

Immigrants from many parts of the world carved Manitoba out of the wilderness. They were motivated people seeking a better life. Today, the situation is no different from that of a century ago. If we are to carve out our portion of the "new economy", once again we need an influx of people to help us do it. There is no doubt immigration could play as important a role today as it did for the forefathers who settled and built Manitoba.

About the author:

Daniel Klymchuk 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. Currently he is acting as a consultant to charitable organizations regarding their strategic long-term real estate needs.

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