

Recent immigration and Canadian living standards

Herbert Grubel

This chapter considers the impact that recent immigration has had on the living standards of Canadians. It does not consider some other issues raised by immigration like criteria for admitting refugees and its influence on Canada's national identity, traditional cultural institutions, and terrorism. These non-economic effects are discussed in other papers contained in this volume and in *Immigration Policy and the Terrorist Threat in Canada and the United States* (Moens and Collacott, 2008), which collects papers presented at a conference in Toronto in 2007.

Individual incomes

The most important determinant of the living standards of Canadians is their individual level of real income. This measure of well-being must not be confused with aggregate national income, which increases whenever immigrants contribute to output.¹ The incomes of resident

1 ♦ Sir Andrew Green notes of *The Economic Impact of Immigration*, a report of the House of Lords' Select Committee on Economic Affairs on Britain's recent immigration policies: "Most pertinently, the Government's key claim that immigration increases Britain's overall gross domestic product (GDP) is dismissed as 'irrelevant and misleading' ... the real issue is whether immigration has boosted

Canadians (persons born in Canada and past immigrants) generally remain unchanged as a result of immigration because immigrants earn incomes equal to their contributions to total output.² This conclusion is based on the basic concept that the wages of individuals are determined in the market by their marginal contributions to the nation's output. Immigrants' earnings, therefore, allow them to buy goods and services equal in value to what they produce, leaving unchanged the incomes of resident Canadians.³

The economic model leading to these important conclusions is based on two important assumptions, plus some others to be considered below. The first is that immigration does not give rise to economies or diseconomies of scale. The second is that there is no government taxation and spending. The next two sections discuss what happens to the basic conclusions of the simple economic model when these two assumptions are relaxed.

Economies of scale

Economies of scale arise whenever an investment is capital intensive and average costs fall with the size of output until capacity is reached. Public facilities like roads, bridges, railroads, municipal water supply and sewers, schools, hospitals, and universities have these characteristics. When such facilities operate at less than capacity, immigrants increase their use, lower costs for resident Canadians and thus raise their living standards indirectly. In the past when Canada's population was small, this beneficial effect of immigration has been important and has contributed much to the widely held public view that immigration brings positive economic benefits for all Canadians.

income per head of population" (Green, 2008). See also Green's contribution to this volume, *The challenges of reforming immigration policy in Britain* (chapter 12, page 227).

2 ♦ This conclusion has also been reached by the Economic Council of Canada (1991).

3 ♦ However, if the number of immigrants is large, they affect the distribution of income of resident Canadians earned in wages and returns to capital and land. This issue will be discussed below.

The railroads

To provide an illustration of this effect in Canada, consider the continental railroads built in the last half of the nineteenth century. They were built on vacant land and served the populations of relatively small towns at either end of the lines. The high cost of serving the debt of the railroad incurred during the construction and running of the facilities was spread over few users and therefore resulted in high transportation costs. Once the railroads were in place, these costs fell as resident Canadians and immigrants settled on the empty lands along the tracks and increased the number and size of towns served by the railroad. Immigration thus lowered transportation costs and raised living standards for all Canadians.

However, in recent decades this beneficial process has ended as the railroad facilities have been used to capacity and new construction was required to increase them. Unfortunately, the marginal real cost of this new construction is high because much of the land needed has to be bought from other users as tracks are doubled and rail yards expanded. In effect, the lowering of costs due to economies of scale has been replaced by the increase in costs due to diseconomies of scale. To the extent that immigrants have added to the need for the expansion of the railroad facilities, they have indirectly caused transportation costs to be higher and real incomes to be lower for all resident Canadians.

Municipal infrastructure

Infrastructure facilities operated by municipal governments have gone through an historic pattern very similar to that of the railroads. When cities were small, roads, highways, hospitals, schools, universities, water-treatment plants, sewers, and garbage dumps initially showed reductions in average costs as they were spread over more consumers, many of which were immigrants. However, in recent decades, these facilities reached capacity and had to be expanded or added to. The land required for such expansion has alternative economic uses and a high price tag. Often construction involves digging deeply and avoiding existing pipes and wires, which raises costs. As a result, average taxes or user charges levied by governments to pay for a blend of costs of old and new facilities have increased correspondingly. Again, immigration has indirectly resulted in higher living costs of Canadians.

It can be argued that this cost is incurred through all population growth, whether it results from high birth rates, or domestic or international immigration. However, there is an important difference between these sources of population growth. Federal and provincial policies cannot legislate fertility and restrict the free movement of Canadians within the country but the federal government has the authority to determine the number of foreign immigrants. Therefore, the costs imposed through foreign immigration are entirely avoidable through the passage of appropriate legislation.

Private investment and free trade

Many private investments in manufacturing and mining are also subject to economies of scale. In the past, such investments were limited by the size of the local market since trade restrictions and poor transportation facilities prevented sales abroad. Under these conditions, immigrants increased the size of local markets and resulted in lower costs for resident Canadians. However, in recent decades technological advances have lowered transportation costs and international agreements resulted in free trade. As a result, the size of local markets no longer limits the exploitation of scale economies of private investments so that immigration ceases to result in lower prices for resident Canadians consuming the output of these private firms.

Size of cost increases

There are no formal studies that have measured the effect of immigration on living standards of resident Canadians due to increased costs in the operation of infrastructure projects. However, there exists much casual evidence on this matter. Some of it is found in the media serving Montreal, Toronto, and Vancouver, where most of the recent immigrants have settled. In these cities, media frequently discuss the inadequacy of existing infrastructure facilities, in particular roads, bridges, hospitals, schools, and universities, which are often congested, over-crowded or even inaccessible. The media also often present information about the high costs and taxes facing taxpayers as a result of planned attempts to alleviate these problems.

Somewhat more quantitative evidence on the size of the costs imposed by immigrants can be obtained by considering their role played

in the growth of the population and the resultant demand for infrastructure in Canada and British Columbia. Table 1 shows that between 2001 and 2008, Canada's population increased by 2.315 million of which 1,380.4 thousand or 60% is due to net external migration (immigration from abroad and emigration by resident Canadians and recent immigrants).

British Columbia's population increased by 359 thousand, 205.3 thousand or 57% of which came from net external migration while net internal migration added 30.2 thousand or 8% to the total population increase. An unknown number of British Columbia's immigrants from the rest of Canada were recent immigrants who had first settled elsewhere in the country.

Housing costs

Putting the figure for British Columbia into perspective, we find that net immigration from abroad resulted in an average annual population increase of 29.3 thousand (205/7). According to government statistics, the average family size of immigrants arriving in 2003 was 1.9 (Citizenship and Immigration Canada, 2005). These figures imply that about 15,000 new dwelling units (apartments or houses) have had to be constructed for them every year, 1,250 every month, and about 280 every week if the immigrants are to enjoy the same housing standards as the rest of Canadians.

This housing construction for immigrants, which comes on top of that needed to serve immigrants to British Columbia from the rest of Canada, increases the demand for a scarce resource, land, and thus on

Table 1: Sources of population growth, 2001–2008

	Total increase in population, 000s (%)	Natural increase 000s (%)	Net external migration 000s (%)	Net internal migration 000s (%)
Canada Total	2,315 (100%)	781.5 (34%)	1,380.4 (60%)	N.A.
British Columbia	359 (100%)	79.4 (22%)	205.3 (57%)	30.2 (8%)

Note: The components of the increases in population do not equal the total increase due to changes in the number of non-permanent residents, who are counted in the total population.

Source: Statistics Canada, 2008b: 33, 35; calculations by author.

average and through time drives up the prices of land in towns used for the construction of apartment buildings. It also drives up land prices in rural areas as many Canadians are driven to live there by the high prices of housing in towns and in spite of the cost of commuting to jobs in town. At the margin of urban agglomerations, the prices of land are always lower than they are nearer the center, compensating residents for the higher cost of commuting they face.

The higher land prices serve the economic interests of landowners. Also benefiting from the foreign immigration are builders, the suppliers of furnishings, and the workers in these industries.

The increase in the value of existing land and housing caused by the foreign immigrants affects the living standards of Canadians unevenly. Those who have owned their homes for a long time have enjoyed increased wealth and correspondingly higher living standards. On the other hand, younger resident Canadians and all future generations suffer economic hardships and reduced living standards.

The parents of the young who enjoyed the capital gains may provide financial help to their offspring but their ability to do so is limited by the fact that they have to live somewhere and all housing costs in Vancouver have increased dramatically. Many of these parents are likely to need most of their capital gains to finance their retirement.

Congestion, pollution, and need for new infrastructure

The large number of immigrants has other detrimental effects on living standards of resident Canadians. Thus, if only one half of the immigrant families in Vancouver own one car, 5,000 new cars are added to the region's traffic every year. It is no wonder that traffic is congested and improvements in the highway and public-transit systems have been unable to keep up with the growth in demand. This increased traffic, often slowed in jams, also adds to the region's air pollution.

These immigrants similarly increase the demand for government services. Thus, if every family of three immigrants in Vancouver has one child going to school, 10,000 new places have to be created in educational institutions every year and many new teachers have to be employed. The immigrants also add to the demand for medical care, hospital beds, social

assistance, fire and police protection, water supplies, sewers, and many other government services in proportion to their numbers.

In a fundamental sense, the inadequacy of infrastructure facilities and the persistence of pollution and crowding are not due to population growth and immigration but to the inadequate rate of construction needed to prevent them. This statement is correct as far as it goes. It neglects the fact that the existing methods for planning and building the infrastructure always lag behind the need for them. It would indeed be highly desirable if these methods could be changed, perhaps through the greater involvement of the private sector and the streamlining of the political approval process, the granting of building permits, and the securing financial resources. The problem is that efforts to speed up infrastructure projects have a long history and have had very little success. If anything, the growth in the public's environmental concern in recent decades has increased the lag between the creation and elimination of the inadequacy of Canada's infrastructure. Until this lag has been eliminated, it follows that immigration, which is determined by deliberate policies of the federal government, aggravates these inadequacies and imposes costs on Canadians.

Income levels of recent immigrants

This section modifies the basic economic model presented in the preceding sections by considering that Canada has a welfare state that redistributes income from high to low income earners mainly through the use of a progressive personal income-tax structure and through the provision of universally available social programs. Because of the progressivity of the personal income-tax system, recent immigrants who have an income below the average income of resident Canadians will pay lower taxes but, because of the universality of social programs, will consume at least as much as the average Canadian, thus imposing a net burden on the latter.

Statistics Canada (2008a) considered census data covering the period from 1980 to 2006 to compare the median incomes of all resident Canadians with the median earnings of all recent immigrant income earners in the core working age (ages 25 to 54) and reported:

During the past quarter century, the earnings gap ... widened significantly. In 1980, recent immigrant men who had some employment income earned 85 cents for each dollar received by Canadian-born men. By 2005, the ratio had dropped to 63 cents. The corresponding numbers for recent immigrant women were 85 cents and 56 cents, respectively. The gap widened even though the educational attainment of recent immigrant earners rose much faster than that of their Canadian-born counterparts, during this 25-year period.⁴ (Statistics Canada, 2008a: 21)

Another way of measuring the income gap involves the comparison of the average incomes of the two groups with the same demographic characteristics. Thus, Statistics Canada reported that immigrants who arrived in 1990 had average earnings that were relative to those of resident Canadians with the same age, gender, and level of educational attainment: 65% one year, 77% five years, and 80% ten years after their arrival. There is evidence that there is no further improvement in this relationship after ten years.

Effects on federal tax revenue

As a result of the lower average incomes of immigrants they pay, on average, fewer taxes than residents because Canada's taxation system is progressive and more resident Canadians have incomes in the top brackets. The facts are that, in recent years, the top 10% of all filers of personal income-tax returns pay about 50% of all taxes, the bottom 50% pay about 5%, and the 6th through 8th decile pay the rest, or 45%.⁵

4 ♦ Research is going on to determine the reasons for this relatively poor record of recent immigrants. Of the reasons given in the preliminary study by Picot and Hou (2003), the most promising are that Canadian employers have virtually no reliable information about the real occupational skills of graduates from Asian universities unknown to them and that actual experience in hiring them has often shown that their skills are not sufficiently suitable for conditions in Canada. The 2008 study of Statistics Canada (2008c) suggests that the lower earnings of the immigrants with higher education may be due to their preponderant specialization in information and communications technology, which has experienced a relative downturn in growth since the high-tech bust in 2001/02.

5 ♦ These figures are approximate and vary slightly through time. See Veldhuis et al., 2003 and other editions of *Tax Facts*.

As a result of the low average incomes, recent immigrants also paid less on average than the amount of GST and sales taxes paid by resident Canadians. Since typically these low-income immigrants also have below-average wealth, they also pay below-average taxes on their asset holdings, like financial investments, land, and dwellings.

Effects on federal spending

Immigrants are entitled to the benefits of government spending that consist of three types relevant to the present analysis. The first type involves spending on projects that does not increase as a result of immigration such as defence, diplomacy, culture, and debt-service payments. The largest of these are debt payments, which are excluded from the estimates presented below, that use data on program spending only.

The second type of spending increases with immigration. It involves universal social programs like health care, education, pensions, welfare, and other social services. This spending absorbs over two thirds (69.3%) of total federal program spending (Statistics Canada, 2008c).

The third type of spending, such as settlement assistance, support for multicultural activities, training, and language, aimed specifically at immigrants. Statistics that measure spending aimed at immigrants tend to be hidden in the budgets of federal and provincial departments administering these spending programs. Due to limited resources, this study has not compiled the relevant statistics and has not used them in the calculations below. However, the resultant downward bias in the estimates below is offset to some degree by the assumption that spending on defense and culture do not increase with the size of population and number of immigrants, while spending for these purposes is included in total program spending used in the estimates below.

In sum, in the empirical analysis presented next, it is assumed that immigrants and resident Canadians absorb government services of the same value, which is equal to the per-capita federal spending on programs.

Estimating the size of the fiscal burden

Based on the assumptions spelled out above and others noted in the original study, Grubel (2006) estimated the impact of the welfare state on the average level of taxes paid by the average recent immigrant relative to that

of the average Canadian. He also estimated the average value of the government services absorbed by recent immigrants and resident Canadians.

The basic finding of the study is that in the year 2000 the value of government services consumed by the average immigrant who arrived in 1990 exceeded the value of the taxes paid by \$6,294. This estimate implies that the cost of transfers in 2000 was \$1.36 billion for the 216,396 immigrants who arrived in Canada in 1990. Assuming that the immigrants who arrived in 1990 on average live for another 45 years, the total cost to resident Canadians for that cohort comes to \$62.1 billion over their life-times.

In the year 2002, there were 2.9 million immigrants who had arrived in the preceding 12 years. The transfers to that group of immigrants in 2002 were \$18.3 billion. The \$18.3 billion represents 16% of total federal program spending in the fiscal year 2000/2001, which is more than the federal government spent on health care and twice what it spent on defense.

It is important to note that these costs do not constitute a social investment for Canada that will be repaid to the generation that subsidized them initially. Even future generations of Canadians are unlikely to be repaid for the investments made by their ancestors. The reason is that, while the average income gaps between Canadians and the offspring of the recent immigrants will disappear, the income distributions of both groups are likely to be very similar. As a result, the high taxes paid by the offspring of the high-income recent immigrants go to pay for the services absorbed by the offspring of the recent immigrants with lower incomes. This conclusion is perfectly consistent with highly touted stories about the extraordinary economic success of some of the offspring of previously poor immigrants.

In other words, the complete story has to consider the total income distribution of the offspring of recent immigrants and the best guess about that distribution is that it will be equal to that of other Canadians. Given that basic distribution of income in the country, the extra taxes paid by those with higher incomes pay for the extra social services absorbed by those with lower incomes.

In conclusion of this section, it should be noted that the calculations presented here are based on a number of important assumptions, some spelled out and some implicit. Only further work can establish the extent

to which the results were influenced by unrealistic assumptions.⁶ Four years after publication of the study, no such studies have been published.

Labor shortages and productivity

Some advocates for more immigration base their case on the need for workers to fill vacant jobs for which resident Canadians do not qualify or which they do not want.⁷ Such labor shortages can be resolved by either increasing the supply of labor through immigration or by letting wages rise until demand equals supply. These alternative approaches to solving labor shortages are understood easily by considering the normally sloped demand-and supply-curves for labor. A shortage means that at the market wage demand exceeds supply. The shortage can be eliminated by an outward shift of the supply curve—immigration—or an increase in the market wage to where demand equals supply.⁸

6 ♦ After the original publication of these figures in 2005, they were discussed widely in the media but there were no serious challenges to these results by government agencies or organized and often government-subsidized groups defending immigrants' interests. These organizations have on staff substantial numbers of trained economists, who might have been expected to criticize and find fault with my estimates. While the absence of such efforts is not a proof of the accuracy of my calculations, one may conclude at least that the estimates do not contain glaring errors.

7 ♦ A vocal advocate is the Conference Board of Canada (2008) but many employers share the views of this organization.

8 ♦ See figure 5.2 (page 80), which shows a downward-sloping demand curve for a homogeneous category of "labor" and an upward-sloping supply curve, with the initial disequilibrium wage creating an excess demand for labor. The downward shift of the supply curve caused by immigration increases the area under the demand curve, which represents output and the profits accruing to the firms whose behavior gives rise to the demand curve. The graph also shows clearly that the outward shift of the supply curve reduces the wages earned by all workers. While this simple model makes much intuitive sense—the more cheese is imported into Canada, the lower the price of cheese produced and income earned by Canadian cheese manufactureres—as is the case with much economic analysis, this simple model can be made more realistic by changing some assumptions and the basic conclusions can be modified. See Grady for some of this analysis, which in the end does not invalidate the fundamental propositions of the basic model.

These two approaches to the elimination of labor shortages have much different effects on resident Canadian workers. Filling vacant jobs with immigrants raises the profits of employers (that is why they lobby for immigrant workers even if their unions insist that they be paid the same wages as other Canadians), but leaves wages low and increases income inequality and poverty in Canada. Given the concern of the Canadian public that there be a more equal distribution of income, immigration thus indirectly is responsible for more income redistribution policies, including higher tax rates and more government spending.

The second approach to the elimination of labor shortages leads to higher wages and profits that are lower than they are when immigrants fill the vacant jobs. The higher wages reduce income inequalities and increase incentives for resident Canadians to leave lower-paid employment or postpone or leave retirement. The latter decisions result in lower claims for public pensions and other social benefits and higher tax payments. Resident Canadians benefit correspondingly.

When employers are induced to pay higher wages to fill job vacancies, there are two beneficial developments that increase labor productivity so that the employers can pay the higher wages without reductions in profits. First, the higher wages induce workers to acquire new skills needed to fill higher-paying jobs. While such training takes time, the expectation of growing demand for these high-paying jobs allows resident Canadians to get the training in time to fill the vacancies. Second, the high wages and the anticipation of even higher wages in the future encourage employers to make capital investments in labor-saving technology and the producers of the needed capital to direct it towards labor-saving investments.⁹

The latter process of private firms adapting to higher wages is very important and it may be useful to consider some examples from the real world to illustrate how they have done so in the past. Agriculture in

9 ♦ It may well be that the wages brought on by Canada's mass immigration is responsible for some of the difference between productivity in Canada and in the United States, which has widened in recent years when immigration as a percent of the labor force has been much higher in Canada than in the United States. For more on this issue, see chapter 5 (page 75) and Grady's discussion there of Borjas, 2003. George J. Borjas from Harvard has done much theoretical and empirical work in this field.

California, for example, for decades had relied on migrant workers to fill job vacancies. When the flow of migrants was reduced by government policy and wages rose, none of the forecast catastrophic consequences took place. Farmers introduced machines to pick tomatoes and they developed new varieties suitable for this process. The productivity and wages of workers in this industry rose while profits of employers remained unchanged.

Another example is found in Japan, where government does not allow mass immigration to meet labor shortages. This policy forced employers and machine makers to develop the advanced industrial robots known best for their employment in the automobile industry, first used in Japan and since introduced in the rest of the world. Japanese employers increasingly use robots in service industries like retailing and health care.

Overall labor-market conditions

Under normal cyclical conditions in Canada, the labor market is in equilibrium and there are no overall labor shortages. Changes in technology and demand for different products and services always lead to a shift of labor from one industry to another, giving rise to temporary shortages and surpluses found in different regions and industries. Overall and persistent labor shortages, however, are caused by excessively easy monetary and fiscal policies that created aggregate demand in excess of aggregate supply.

The problems caused by these expansionary monetary and fiscal policies cannot be solved by immigration. Immigrants earn income that they spend on private goods, services, and housing that require yet more labor to produce. They also add to the demand for public services like schools, universities, roads, buses, water, sewage, and waste services. Meeting these demands adds to the demand for labor in the construction and staffing of the facilities and it is quite possible that, in the end, immigrants do not eliminate but increase existing labor shortages.

Such increases in labor shortages arise also when immigrants come from the rest of Canada to places like British Columbia but, as was argued above, given the free movement of people in Canada, such internal migration and problems cannot be prevented and have to be dealt with as best as possible. On the other hand, the federal government has the power to limit foreign immigration and avoid these dynamic labor shortages.

Externalities

Economic activity can impose costs or benefits on others that are not reflected in their wages and are not recorded in national income statistics. These effects are called “externalities.” They affect the living standards of resident Canadians in ways that are not reflected in the very basic market model presented at the very beginning of this study. Pollution of the air, rivers, and oceans, for example, is increased through immigration by more than it would if population and economic growth were fed only by domestic increases in population. The greater population causes increased pollution as the number of vehicles grows and more factories are built. Some of this pollution is alleged to bring global climate changes that may well lead to costly measures to combat it, reducing the living standards of resident Canadians indirectly. It is worth noting that, from a global perspective that concerns so many environmentalists, Canadian immigration from developing countries adds to the problems faced by the world as a whole since such immigrants have much higher incomes and produce much more pollution in Canada and therefore in the world than they would have in their native countries.

On the other hand, it is believed that immigrants also produce important positive externalities through their activities as scientists, inventors, entrepreneurs, writers, and artists. In fact, the number of immigrants who have excelled in these endeavors is quite large. Accounts of their contribution to scientific knowledge, commercial success, the creation of employment opportunities, the sale of books and works of art are part of the Canadian story. However, there is much room for questioning the size of these externalities because immigrants in most of these activities tend to be compensated for the value of their contributions. In the case of entrepreneurship, patentable knowledge and the output of artists and writers, the producers receive income from the sale of their output and benefit also from government subsidies. In other words, they receive incomes equal to their contribution to output and thus leave the incomes of other Canadians unchanged, as is implied by the basic model presented at the beginning of this paper. Immigrants’ contributions to pure scientific knowledge are somewhat different. The social benefits from this work cannot be appropriated by the researchers. However, these scientists tend to be subsidized by the government of

Canada, which rationally sets the subsidies at levels so that the marginal social benefits are equal to the marginal costs.¹⁰ In sum, the proposition that the success of immigrants as entrepreneurs, researchers, and artists brings great benefits to other Canadians is invalid and cannot be used in support of policies for immigration.

The viability of social program financing

One frequently made argument in favor of immigration is that it is needed to save Canada's social programs from insolvency. The taxes paid by these immigrants are expected to make up deficits that will develop in the administration of Canada's pay-as-you-go social programs. These deficits will develop as the number of Canadians active in the labor force and paying taxes falls relative to the number in retirement and receiving payments through the Canada Pension Plan and needing publicly financed medical care.

Guillimette and Robson (2006)¹¹ used forecasts of future fertility and death rates made by Statistics Canada to estimate the number of immigrants that would be needed to eliminate the expected deficits. They did so using the concept of the dependency ratio, which is defined as the number of Canadians of retirement age (older than 65) over the number of workers in the labor force (between the ages of 18 and 64), which is a proxy for the level of taxation on active workers needed to pay for those in retirement. In 2006, this dependence ratio was .20, which means that there were 20 retired Canadians for every 100 taxpaying workers. At this ratio, tax revenues have been roughly equal to payments and, if the ratio were to be maintained, there would be no more deficits in the future.

10 ♦ In fact, the benefits of scientific discoveries tend to be available freely to all peoples of the world and it makes no difference where they are produced. Therefore, Canadians do not have to subsidize this production of knowledge to benefit from it though, as a responsible member of the global community, their government contributes its fair share of the global spending on the production of pure knowledge.

11 ♦ See also *Immigration's Impact on the Growth and Age Structure of the Canadian Workforce* (chapter 7, page 121) and *The Immigration Option to Population Aging in Canada* (chapter 8, page 147).

Guillimette and Robson found that in the absence of immigration, the dependency ratio would rise sharply from .20 in 2006 to .46 in 2050, with some fluctuations in the intervening years. They then analyzed what number of immigrants would be needed to prevent such increases in the dependency ratio, assuming that immigrants have the same age profile in the future as they have had in recent years, which has made them on average somewhat younger than Canadians. Their crucial finding is that the rate of immigration would have to rise sharply after 2006 from the present 0.7% of the population to 4.8% in 2012 and remain there for about a decade. Thereafter, the levels could fall to a low of 2.0% of the population because of the large number of children born to Canada's baby boomers that will be in the labor force at that time. After 2038, the level would rise again sharply to about 4.3% of the population.

The implications of these rates of immigration for the absolute numbers of immigrants are staggering. There would have to be more than 7 million immigrants in the year 2050 alone. Canada's total population that year would be 165.4 million, or more than five times the current level, with virtually all of the increase made up of immigrants. The authors also considered the implications of restricting immigrants to persons aged between 20 and 24. They found that this strategy would only slightly lower the number of immigrants needed to maintain the current dependency ratio and the corresponding absolute level of the population and annual immigrants.

The estimates produced by Guillimette and Robson show clearly that immigration cannot realistically be used to solve Canada's problem of the unfunded liabilities of its social programs without bringing about impossibly large problems of finding employment for the huge numbers required and preventing a sky-rocketing increase in all of the impacts of immigration on the living standards of resident Canadians noted above. In addition, Canada would face growing problems in finding such large numbers of immigrants willing to come to Canada, especially since many of the developing countries of the world that have supplied recent immigrants are experiencing rapid economic development that is accompanied by excellent career-development opportunities there. Falling fertility rates in these countries will further reduce the stock of recruits for immigration to Canada.

Policy implications

The main findings of the preceding analysis are easy to summarize. Under the provisions of Canada's present welfare state, mass immigration causes the living standards of resident Canadians to be diminished significantly and, through the creation of congestion, pollution, and pressure on existing infrastructure, immigrants impose further costs on them. The analysis showed that there are no positive benefits, like the reaping of scale economies, the filling of job vacancies, and relief from the fiscal burden of unfunded liabilities of social programs, which mass immigration can provide to compensate Canadians for these costs.

Before turning to the discussion of possible policies to reduce or eliminate these costs, it is worth repeating an important point made in the text above. In principle, the costs analyzed can be eliminated by ending the welfare state or disqualifying immigrants from access to it; by making sure that infrastructure projects are always put into place so that no shortages exist; and that pollution and other negative externalities are eliminated by proper regulation. The following policy recommendations are based on the assumption that these changes will not take place in the foreseeable future for reasons beyond the scope of this study. Under this assumption, there are two classes of policies to reduce or eliminate the costs of mass immigration.

Change the characteristics of immigrants admitted

First is the class of policies that changes the characteristics of immigrants so that their average incomes and the distribution of incomes around the average are the same as those of resident Canadians. If this policy goal is attained, the costs of the welfare state imposed on other Canadians will disappear, though the problems associated with pollution and inadequate infrastructure remain.

The process that Canada uses to select immigrants has been designed to ensure the economic success of immigrants. The results cited above show that it has not been successful. Several analysts (see chapter 1, page 5) suggest reforms to remedy this shortcoming. Among these is the elimination of the family class of immigrants, which by definition does not use the criterion of economic success in granting admission to foreigners. Another policy change would put greater weight on properly established

language proficiency and reduce the weight given to formal education. Yet another proposal is to rely more heavily on the judgments of private employers by issuing immigration visas to applicants who hold a valid contract for employment in Canada, with the interests of the welfare state and of low-skilled citizens protected by government-stipulated minimum wages offered in these contracts.

These and other marginal changes in the immigrant-selection process have been proposed in the past but, for political reasons, the government has chosen to ignore them. This paper recommends that the government in the future put the welfare of Canadians first and their political self-interest second and adopt the proposed changes.

Reduce the rate of immigration

The second approach to the reduction or elimination of these costs involves reducing the rate of immigration. The smaller it is, the lower the costs. The costs will be zero if immigration is zero. But since there is substantial annual emigration from Canada, I propose that immigration be allowed to match the level of emigration so that there will be a net zero effect of migration on the size of Canada's population. In practice, this policy would have meant in 2007 that, since about 45,000 people emigrated from Canada, 45,000 rather than 250,000 immigrants would have been admitted (<http://www40.statcan.gc.ca/l01/cst01/demo33a-eng.htm>).

Under this policy, Canada would remain a country that welcomes immigrants, albeit in much smaller numbers than presently. Emigration allows Canadians the freedom to maximize their welfare by moving abroad. The costs of pollution, lagging infrastructure expansion, and other externalities due to mass immigration would be eliminated. However, to the extent that domestic population growth continues or some regions receive many internal migrants, the costs of lags in the construction of infrastructure and of the passage of regulation to control pollution and so on, would remain.

The proposed policy has the added advantage that the resultant rate of population growth would reflect fully the decisions of Canadians about the number of children they wish to have. These decisions may be presumed to be determined rationally in the light of personal, practical, and moral considerations as well as concerns over the environment,

congestion, and taxation. A good case can be made that the government has no right to interfere with the outcome of these decisions by changing the rate of population growth through its immigration policies from what the people have decided it to be.¹²

The annual inflow of immigrants equal in number to those emigrating from Canada still gives rise to the possibility that they impose costs on Canadians through the operation of the welfare state, if they have average incomes below those of other Canadians and the distribution of income around the average is different. To eliminate this problem, reforms of the immigrant selection process also need to be undertaken, as discussed above. However, even if this goal cannot be attained, the significant reduction in the annual inflow ensures that the costs are lowered considerably.

It should be noted that the proposed policy recommendations are based on economic considerations alone. Several papers in this volume suggest that mass immigration reduces the welfare of other Canadians also through its negative influence on Canadian culture, national security, and other non-economic issues. The existence of these social costs should also be taken into account in any reforms of the present immigration system.

In conclusion, it is important to note that the proposals for policy changes involve many complex issues of implementation, timing, and the sanctity of past commitments. All of these issues can and will be resolved in due time. What has to come first is a commitment by government to adopt the proposed policies in principle.

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12 ♦ This point is also made convincingly by Krikorian (2008: ch. 6).

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