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Canada's Immigrant Selection Policies: Recent Record, Marginal Changes and Needed Reforms

by Herbert Grubel



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Abstract

This paper reviews the history of Canadian immigration policies and documents that the present policies impose on Canadians a fiscal burden of \$20 billion annually. The existence of this burden is attributed to flaws in the current immigrant selection process, some of which are addressed through recent changes in policies adopted by the government. These changes are discussed and viewed likely to reduce the fiscal burden by only small amounts. The paper proposes more radical reforms to the selection system to eliminate the fiscal burden in the future.

Executive summary

Recent immigrants impose a fiscal burden on Canadian taxpayers of about \$20 billion annually due to the fact that they earn less and pay less taxes than the benefits they receive from government spending. The economic benefits from the complementarity of immigrant and native labour raising the wages of both and economies of scale due to immigration, the reduction in the unfunded liabilities of social programs, the foreign investment in immigrant human capital, and others are non-existent, or very small, in relation to the size of the fiscal burden.

Low earnings are unexpected since Canada selects immigrants on the basis of their prospects for economic success, using an objective points system that reflects the candidates' educational attainment, work experience, language competence, and other indicators that are correlated with higher earnings. Individuals selected on this basis are considered to be "economic immigrants" who, in 2011, according to government statistics, represented 62.8 percent of all immigrants when their immediate family members are included.

In recent years, under Minister of Immigration Jason Kenney, the government introduced many changes to immigration policies, which aim in part, at lowering the fiscal burden through the use of more efficient selection processes, better information about candidate qualifications, speeding up the processing of refugee claims, reducing opportunities for fraud, increasing the financial responsibility of sponsors of parents and grandparents, and various other measures.

These policy changes are likely to reduce the size of the fiscal burden. Most promising are the reforms to the refugee system and of the financial requirements for the sponsorship of parents and grandparents. The ultimate effects will depend greatly on the enforcement of the new rules in practice

and on how parents and grandparents are treated if their sponsors renege on their promise of financial support.

The changes of the process used to select economic immigrants such as modifications of the points system, the verification of certificates of educational achievement, and language competence are likely to be positive but small and depend on the actual level of enforcement.

This paper proposes that immigration of parents and grandparents be stopped completely but the changes should be phased in by making it applicable only to new immigrants arriving after the adoption of the proposed policy, allowing immigrants already in Canada to continue with the sponsorship of their parents and grandparents.

The paper also proposes that the current immigrant selection process, which relies heavily on political considerations, be replaced with one that relies primarily on the private sector and labour market conditions. Under this proposed system the government would remain deeply involved by setting the minimum pay required to make job offers acceptable for the issuance of immigrant visas. It would also play an important role in protecting the public interest through health and security checks.

Concluding this paper is an argument advocating that Minister Kenney spearhead a public inquiry and wide discussion of the optimal number of immigrants that are admitted into Canada on economic and humanitarian grounds and after evaluation of views expressed by the general public through informal surveys, the response to which is completely voluntary. Presently, this number is decided by the minister and routinely receives parliamentary approval without explanation of its economic rationale and social-cultural consequences.

Introduction

Canada selects the largest proportion of its immigrants using a points system designed primarily to ensure their economic success in Canada. Besides these economic immigrants, it also admits in smaller numbers asylum seekers, family members of recent immigrants, and other minor groupings. These basic characteristics of the selection system have been in place since the 1960s and remain unchanged.

The theoretically sound system for the selection of immigrants has failed in practice. The earnings records of recent economic immigrants have deteriorated since the 1980s and the average incomes of all recent immigrants has lowered due to the substantial number of immigrants in the family-reunification and refugee classes that did not have to pass the points system.

As a result of these developments and according to government data, the average income and tax payments of recent immigrants are far below the Canadian average and do not cover the benefits immigrants are entitled to. As a result, recent immigrants impose heavy fiscal burdens on Canadian taxpayers.

The first chapter of this paper explains the operation of the current immigrant selection system. Chapter 2 documents the poor economic record of recent immigrants and estimates the fiscal burden created. Chapter 3 examines why recent immigrants have such low average incomes and Chapter 4 outlines and evaluates the changes enacted by the government to improve the existing immigrant selection policies.

The paper concludes with the proposal for a radical reform of the selection process, suggesting the use of labour market information instead of political and bureaucratic processes. The proposed policies also offer one approach to addressing the most fundamental issues confronting Canadian immigration policy and society—what is the optimum number of immigrants admitted annually and can these numbers be made sensitive to cyclical fluctuations in the domestic demand for labour.

Chapter 1: Provisions of the current immigrant selection system

Before the 1930s Canada designed its immigration policy to increase the country's population, to generate economies of scale, and to develop the sparsely populated Western parts of the country.¹ The only criteria for the admission of immigrants were a European background and reasonable health. Immigration from Asia and Africa was effectively barred for reasons consistent with social norms of the era.²

The size of flows from European countries was determined by expected economic gains and improved economic and political conditions from working and living in Canada, which were greater than the cost and risk of travel by sea in relatively primitive vessels. Often countries of origin had lower economic prospects and unpleasant political conditions; Canada had higher expected economic gains, so more immigrants elected to take on the costly and risky travel. A substantial number of immigrants came from the United States, often to settle in a country they found politically more genial or to join family members and friends who had already come to Canada.

In these early times the number of immigrants arriving did not create problems with unemployment or their absorption into an economy based largely on agriculture and resource extraction. During some periods the

1 This section draws heavily on research in Bouchard (2007).

2 The opposition to immigration from Asia is often symbolized by the 1914 Komagata Maru Incident, which involved 354 passengers who arrived in a boat from India in the port of Vancouver and were refused entry into Canada as immigrants. Ultimately, they were forced to return to India. However, a sizeable number of Asians settled permanently in Western Canada after they came to the country to work on major, labour intensive construction projects, primarily the building of the transcontinental railroad through the mountains of Alberta and British Columbia in the late 1800s.

government actively encouraged immigration by increasing the expected economic gains through free land grants to immigrants who settled in specific regions of the country, especially along the railroads to the West Coast.

During the Great Depression, high rates of unemployment and economic stagnation in Canada led to restrictions on the number of immigrants on the grounds that they would add to unemployment. These restrictions allowed entry only for persons joining families already in Canada.

After the Second World War and during the following revival of economic prosperity in Canada, a revised policy permitted the inflow of large numbers of Europeans to meet labour market demands. Most of these immigrants were highly skilled and experienced workers who, with their families, wished to escape the low economic prospects caused by the devastation and economic turmoil of the war. During this immediate postwar period Canada's immigration policy was geared towards "the growth of population, higher living standards for Canadians and leav[ing] unchanged the basic characteristics of the population" (Bouchard, 2007). The reference to preserving the characteristic of the population is of some historic importance because it essentially restricted immigration to Europeans.

In 1962, in line with Canada's public policies aimed at eliminating all public and private discrimination on racial, religious, and other group characteristics, the preference for immigrants with European backgrounds was eliminated, and the door to immigrants from other parts of the world opened. However, the new policies did not change the existing preference for immigrants joining families already in Canada. It also formalized the admittance of refugee seekers (also referred to as asylum seekers), by adopting provisions contained in international agreements to which Canada was a signatory.

Points used to select economic immigrants

After adopting the non-discriminatory policy in 1962, applications from potential immigrants soon increased dramatically and forced the government to create a system for rationing their numbers. This rationing was achieved in 1967 when Canada adopted a system that continued the existing preference for family and refugee immigrants but created a new class of "economic immigrants" who were granted visas only if they "promoted Canada's economic, demographic, cultural, and social policies"³. Applicants in this class were chosen through a points system.

Under this points system, applicants are required to register their intentions with the Ministry of Immigration, the official name of which is

3 See CIC (2012g) *Living in Canada* for instructions aimed at potential immigrants on the requirements for successful applications, the adjudication process, what to expect from life in Canada, and related topics.

Citizenship and Immigration Canada (CIC). The application must be accompanied by evidence of the individual's age, health, education, and other demographic information. Civil servants use this information to decide on the economic prospects of applicants and issue visas to those who meet certain standards, are healthy, and do not pose a security threat.⁴ Most of the immigrants selected through the points system are referred to as "skilled workers," who in recent years constituted between 54 to 60 percent of all immigrants.⁵

They are selected with the help of the points system shown in table 1, which is designed to reflect their likelihood of economic success in Canada. More points are given for higher educational achievements and proficiency in English or French. The length of work experience, age, pre-arranged employment contracts, and adaptability also add to the points total. Recently, applicants needed at least 67 points⁶ for the receipt of an immigration visa.

Table 1: Canada's point system for selecting skilled immigrants in 2011

	Factors considered	Maximum points
1	Education	25
2	Proficiency in English and French	24
3	Work experience	21
4	Age	10
5	Arranged employment	10
6	Adaptability	10
	Total maximum points	100

Source: <http://www.canadaupdates.com/content/canada-skilled-worker-immigration-points-based-immigration>

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- 4 See the CIC (2010) for a detailed description of the points system and how to apply for immigration. In an effort to reduce the work associated with the evaluation of applicants, the government provides a web based method that allows potential immigrants to assess their eligibility by checking the different values for each of the criteria. If they know they will not qualify, they are less likely to submit their application. See: <http://www.canadaupdates.com/content/canada-skilled-worker-immigration-points-based-immigration>
- 5 The class of economic immigrants also includes investors and entrepreneurs, who are given visas if they bring along a certain minimum amount of capital for investment or have a record of entrepreneurship. In recent years, these "business class" immigrants represented about five to seven percent of all immigrants.
- 6 This minimum number of qualifying points has varied through time in order to make the total number of skilled immigrants consistent with the target of all immigrants submitted annually by the Minister of Immigration for approval to parliament. Parliament has never changed this annual target, presumably because the Minister belongs to the party with a voting majority, which set it after discussion and approval in cabinet and caucus.

The relative weight given to the different demographic characteristics in the selection process are apparent from the third column of table 1. It shows that the level of education and language proficiency are quantitatively most important, constituting nearly one half of the total points available. Work experience is valued only slightly less. Age, arranged employment, and adaptability together contribute a maximum of 30 points.

Table 2 records the number of immigrants admitted under the basic selection criteria in 2011. It shows clearly that with 62.8 percent of the total, economic immigrants are by far the largest class. Family class immigrants with 22.7 percent are second, followed by refugees and others, with 11.2 and 3.3 percent, respectively. However, it is important to know that of the 156,121 economic immigrants, only 64,397 (or 41.2 percent) were the principal applicants (skilled workers, entrepreneurs, investors etc.). The rest (or 58.8 percent) of the economic immigrants were their dependents, that is spouses and under-age children (See CIC, 2013c for more details and data for years before 2011).

This fact implies that out of the total of 248,744 immigrants in 2011, only 64,397, or 25.9 percent, have qualifications that promise to ensure their economic success. These true economic immigrants have different qualifications. In 2011, 36,770 of them were skilled workers who met the points test described above. Entrepreneurs, self-employed, and investors numbered 184, 113 and 2,991, respectively. There were 5,032 live-in caregivers.

There were also 23,112 immigrants who had been selected under a program that allows provincial and territorial governments to select them. This program has been created under the assumption that these governments have better information than the federal government about local conditions in labour and capital markets. The program has recently come under criticism, as is discussed in a government study entitled *Evaluation of the Provincial Nominee Program* (CIC, 2011c).

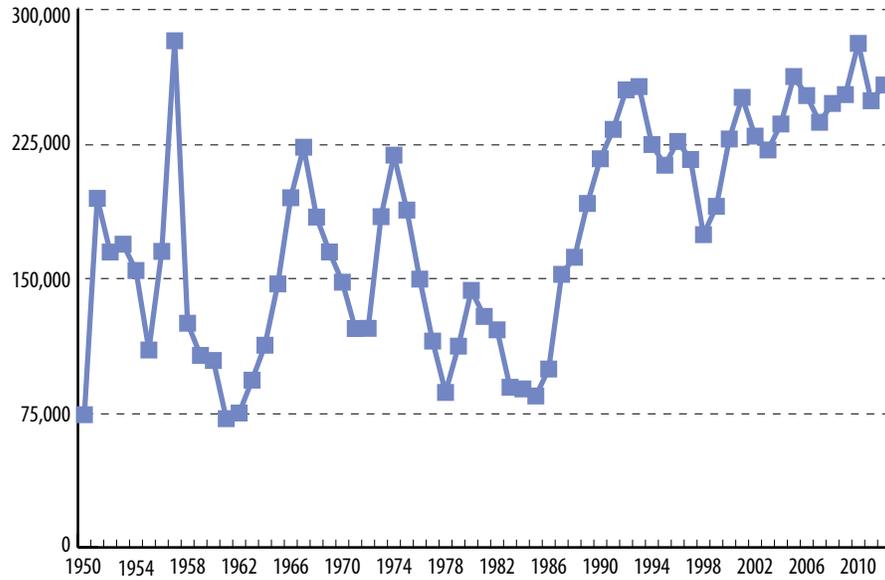
Table 2: Canada immigrants admitted by categories in 2011

Admission criteria	Numbers	Percent of total
Economic immigrants	156,121	62.8
Family class	56,445	22.7
Refugees	27,872	11.2
Other immigrants	8,306	3.3
Total	248,744	100.00

Source: <http://www.cic.gc.ca/english/resources/statistics/facts2011/permanent/01.asp#figure3>

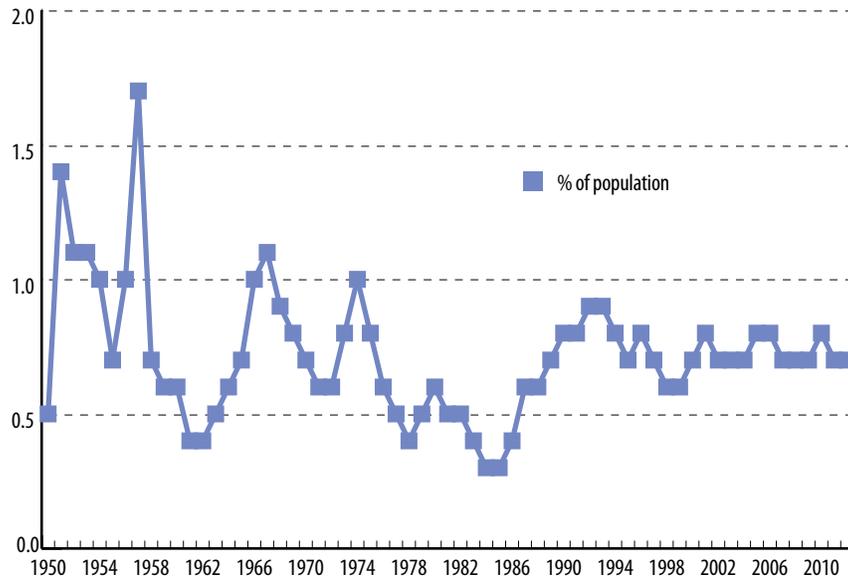
Figure 1 shows the total number of immigrants who entered Canada between 1950 and 2009. As can be seen, the peak level was in 1957, reflecting the inflow of Europeans following the Second World War.

Figure 1: Number of Immigrants into Canada



Source: <http://www.cic.gc.ca/english/resources/statistics/facts2011/permanent/index.asp>

Figure 2: Immigration to Canada as percent of population



Source: <http://www.cic.gc.ca/english/resources/statistics/facts2011/permanent/index.asp>

The graph also shows that after 1957 the number of immigrants dropped sharply and reached a postwar low in 1962, partly because of economic recovery in Europe and partly because Canada returned to normal economic growth and demand for labour. The graph also shows that the number of immigrants increased sharply after the introduction of the 1962 reform, which opened the doors to immigrants from Asia and Africa.

The data reflect two other important changes in immigration policy. First, the average size of annual inflows increased significantly from 138,000 during the period 1950-86 to 231,000 during the years 1986-2009. This increase was the result of a decision made by Prime Minister Brian Mulroney and his government to increase the absolute number of immigrants to compensate for Canada's declining birth rate.⁷

The second change apparent in figure 1 is the reduced variance of annual flows after 1986. It was prompted in part by the alleged inability of civil servants to adjust the inflows quickly enough to counter cyclical fluctuations in demand for labour in Canada. It was assumed that immigrants with high education levels would easily adjust to changing labour market conditions, adding little unemployment during recessions and increasing employment during boom times.

Figure 2 shows annual immigration as a percent of Canada's population and reflects, in a different metric, the trends discussed in the context of figure 1. However, it also shows that since the mid-1990s, this percentage has averaged about 0.75 percent. This fact is particularly evident for the years since 2000. A comparison of the two figures shows that the slow growth in annual numbers seen in figure 1 is just sufficient to keep constant the percentage figure shown in figure 2, suggesting that the government has been right on target with the recent average level of 0.75 percent of the population.

Canada's immigration policies are considered by many economists and governments to be admirably clear and rational, serving the economic interests of Canada while meeting moral obligations to past immigrants and humanitarian obligations towards asylum seekers.

However, the results produced by this system have been less favourable than its rational design promised. Serious concerns exist over the effects the large-scale immigration has had on Canadian culture, religious tolerance, and national security. These concerns are discussed in conference papers found in Moens and Collacott (2008) and Grubel (2009). Canada's immigration policies have resulted in the imposition of a substantial fiscal burden on Canadian taxpayers. This issue is discussed in the next chapter.

⁷ The validity of this justification is disputed by Winsor (1990), who claims that this decision was strongly motivated by the desire to cater to the votes of earlier immigrants interested in having family members join them and in enlarging the size of their communities.

Chapter 2: Evidence on the poor economic record and fiscal burden of recent immigrants

In a recent study, Grubel and Grady (2012) used the Public Use Microdata File (PUMF) supplied by Statistics Canada to estimate the average incomes of immigrants who entered Canada during the years between the adoption of new immigration policies in 1986 and 2004 (the latest data in the base) under all admission programs (skilled workers, refugees, family class, etc.) and compared them with the incomes of native-born Canadians plus non-recent immigrants (for simplicity referred to below as other Canadians). The same database is used to calculate the average income taxes paid by these immigrants and Canadians. The total number of individuals in this database is 64,792 recent immigrants and 692,509 other Canadians, which makes the estimates statistically reliable.

The results of these estimates are found in table 3 and show clearly that the economic performance of recent immigrants is substantially below that of other Canadians. The average total income and income from work are 70.0 percent and 79.1 percent of other Canadians, respectively, where the difference between total income and income from work is equal to income from property like investments, savings, and real estate. Moreover, the data show that the income taxes paid by recent immigrants are only 54.4 percent of those paid by Canadians. These results are important for the interpretation of the benefits Canadians derive from the recent admittance of large numbers of immigrants.

Grubel and Grady used the information on immigrant incomes and income tax payments found in table 3 to estimate other taxes paid by these immigrants such as sales tax, corporate income tax, and property taxes.

They found that on average recent immigrants paid \$6,073 less in taxes than Canadians in 2005.

The study also considered in detail different categories of government spending and the extent to which the recent immigrants absorbed more or less than other Canadians. It was found that under Canada's welfare state provisions, immigrants are entitled to all universal benefits like education, health care, and welfare. Immigrants also share the benefits of government spending on public goods. In addition, they receive benefits serving their special needs such as settlement assistance, job search, and training in English and French in special second language courses. The annual value of these benefits going to immigrants was estimated to be \$256 greater than that going to Canadians. For a full discussion of the difference in the value of government services absorbed by recent immigrants and Canadians, see Grubel and Grady (2012: 12-14).

Table 3: Income and taxes paid in 2005 by recent immigrants and native born Canadians plus non-recent immigrants

	Average income	Average employment income	Average income tax paid	Number of observations in sample
(1) Immigrants 1987-2004	\$25,396	\$21,267	\$3,438	64,792
(5) All Canadians minus recent immigrants	\$36,288	\$26,890	\$6,319	692,509
(1)/(5)	70.0%	79.1%	54.4%	

Source: Calculations by authors for recent immigrants and non-recent immigrants done from Census 2006 PUMF (Statistics Canada, 2009). Total income is provided by the variable "totinc" in the file, and income tax by the variable "inctax", both of which are averaged across individuals to calculate averages. All recent immigrants and Canadians reporting income or income tax were included in the sample.

The combined effect of lower taxes paid, and higher government benefits received, by recent immigrants is that on average in the year 2005/06 a fiscal burden on Canadians equal to \$6,329 was imposed. This figure implies the following:

First, if the average immigrant pays taxes and receives benefits for 45 years between his or her arrival and end of life, every recent immigrant benefits from transfers worth \$284,805, disregarding all effects of discounting and inflation.

Second, during the 18-year period from 1987 to 2004, a total of 3.9 million immigrants arrived in Canada. In 2006, they imposed a cost of \$24.7 billion if none had emigrated, died, or returned to their native countries. However, only 2.7 million of these 3.9 million still remained in Canada so the annual fiscal subsidies was \$17 billion.

Third, between 2005 and 2010 approximately another 1.5 million immigrants arrived in Canada. Assuming that their numbers were not changed by mortality and other factors and that their economic record is the same as that of the 1986-2004 cohort, they will have added another \$9.5 billion to the \$17 billion noted above, for a total of \$26 billion.

Fourth, assuming conservatively that the fiscal burden is \$20 billion, it represents 1.1 percent of Canada's Gross Domestic Product, which is strikingly similar to that estimated for France and similar to those found for the United States.⁸

Possibly neglected benefits from immigration

The preceding analysis of the fiscal burden imposed by Canada's immigrant selection policies does not consider possible economic benefits, which immigrants often are suggested to bring to Canadians and which in principle could be greater than the fiscal burden just discussed. These benefits are discussed at greater length in Grubel and Grady (2012) and may be summarized as follows:

First, the offspring of immigrants are expected to have incomes, pay higher taxes than their parents, and repay the fiscal burden their ancestors created. Available empirical evidence shows that second generation offspring of visible minority immigrants have lower average incomes than Canadians (Grubel and Grady, 2012: table 8).⁹ Later generations are expected to be fully integrated into the economy and society and may reasonably be expected to have earnings equal to the Canadian average. Thus, the offspring will never repay the fiscal burden imposed by their ancestors.

Second, immigrants are expected to reduce the unfunded liabilities of Canada's social insurance programs and thus lower the tax burden on future generations. In fact, simulations of the effects of immigrants on unfunded liabilities of Canada's social programs show them to be minimal because the immigrants also age and become entitled to benefits.¹⁰ Many are accompanied by their parents and grandparents that are eligible for welfare and old age pensions (GIS), which increase the unfunded liabilities of these programs.

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- 8 Gourévitch (2012) used a methodology similar to that in Grubel and Grady (2012). He estimates the annual burden at €17.4 billion, or 0.9 percent of GDP. This figure is nearly the same as Canada, which has a GDP of \$1.74 trillion, which makes \$20 billion equal to 1.1 percent of GDP. Very similar results are found in Rector and Richwine (2013), who estimated the US fiscal burden at \$103 billion annually for illegal US immigrants alone. For a discussion of these results see Camarota (2013).
- 9 Grady (2011) contains detailed information on the earnings of second generation immigrants defined as the children of immigrants born in Canada, broken down by gender and levels of education, relative to other Canadians with the same demographic characteristics.
- 10 See Banerjee and Robson (2009) and Merette (2009).

Peer reviewers of an earlier draft of this paper have given several other reasons why the estimate of the fiscal burden presented above is alleged to be too high. The following summarizes the analysis of these issues contained in Grubel and Grady (2012).

First, foreign countries absorbed the cost of educating immigrants so that the governments of Canada save these costs while the immigrants contribute to output and the government receives their taxes. This issue has in the past been discussed widely in the case of the brain drain involving highly educated migrants.¹¹ The analysis in these studies is based on the theory that workers' wages equal their marginal productivity. Under this assumption, and in the absence of income redistribution policies of governments, the native-born Canadian population does not gain from immigrants, regardless of their age at arrival. However, there may be gains if complementarities of immigrant and native-born workers raise the productivity of the latter.

The conclusion that immigrants bring no income gains to native-born Canadians is not altered by the existence of the need to educate children. This can readily be seen by considering what happens if all education is financed privately. Under this assumption, immigrants use some of their income to pay for their children's education and there is no effect on native-born Canadians. If education is financed publicly, the immigrants pay taxes needed to finance the education of their children, which also leaves native-born Canadians without a fiscal gain or burden. Neither are there welfare effects in the country of emigration. The parents of the migrants have financed the education of their children either privately or through the taxes they have paid. They have thus met their moral obligations to their children, who themselves have a moral obligation to look after their parents in old age, which can be met whether or not they emigrate. In fact, having high incomes in their new country of residence, these brainy migrants have increased financial resources to use in the support of their parents.

Second, Javdani and Pendakur (2011) of Simon Fraser University argue that the marginal cost of providing immigrants with the benefits provided by government spending on pure public goods in the form of defence, basic research, and general spending is zero and that Grubel and Grady overestimated the fiscal burden of immigrants by assuming that this cost for each immigrant is positive and equal to the total expenditure divided by the population. These authors re-estimated the fiscal burden assuming that the marginal cost of using pure public goods is zero. Importantly, they found that the burden still is positive but smaller than estimated by Grubel and Grady.

In response to this criticism, Grubel and Grady argue that the marginal cost of using large infrastructure facilities is zero in the short run but

¹¹ See Grubel and Scott (1966), which has been reprinted widely and is also found in Grubel and Scott (1977) together with a number of empirical studies involving the international flow of human capital.

is positive in the longer run. This assumption reflects historic reality since spending on defence, research, and other pure public goods has increased with population and GDP and the accompanying fiscal capacity.¹² Immigrants add to both. Certainly, international comparisons of such spending are based on percentages of national and per capita incomes.

Governments also provide public services, such as education, health care in hospitals, roads, and municipal infrastructure, where the marginal cost is less than the average because the provisions for these services tend to be very capital intensive. Again, Grubel and Grady used the average rather than the marginal cost of providing these services to calculate the fiscal burden imposed by immigrants. This decision is based on the view that the low marginal cost exists only in the short run and that immigrants in substantial numbers give rise to the need for expansion or construction of schools, hospitals, universities, municipal infrastructure, roads, bridges, public transit, and others. The marginal cost of constructing new facilities of this type often exceed past averages by a large margin since land and other resources have become scarce as a result of the recent rapid growth in population fed in part by immigration.

The rate at which expanded or new facilities are needed is clear from the fact that in recent years about 36,000 immigrants have settled annually in the Vancouver area. This means that 3,000 immigrants are added to the demand for all of these types of public services each month. If the average family size of these newly arrived immigrants is three, 250 dwelling units need to be built each week. These new residents also add to strains on municipal infrastructure and traffic congestion.

Third, it has been suggested in economic theory that immigrants at all skill levels complement those of the native labour force and raise its productivity through increased specialization and economies of scale. As a result, the fiscal burden on Canadians from immigrants is reduced correspondingly through higher incomes of Canadian workers which is not reflected in the Grubel-Grady calculations of the fiscal burden.

The theoretical case for such benefits from immigration is very strong, but only empirical studies can establish how big they are. Studies aimed at such measurement were recently reviewed by Harvard University Professor George Borjas (1999 and 2013), who is considered America's leading economic expert on immigration. His conclusion found:

Some research argues that virtually all American workers gain from immigration because immigrants and native workers with the same level of education and age do not compete with each other, but in fact complement each other. Although the early empirical studies that examined this

12 The same assumptions underlie the recent study of the burden of illegal US immigrants by Rector and Richwin (2013).

assumption claimed that there were substantial complementarities, the published version of these studies reports much weaker, if any, complementarities (Ottaviano and Peri, 2006 and 2012; Borjas, Grogger, and Hanson, 2012). In fact, even if the extent of complementarity is at the upper end of the estimated range in the most recent studies, immigration still reduced the wage of native high school dropouts by between 2 to 5 percent (depending on whether the effect is measured in the long run or the short run) (2013).¹³

In other words, the gains in output and welfare from immigration accrue almost only to the immigrants themselves. The gains to the native population created by complementarity, specialization, and economies of scale are equal to 0.2 percent of national income. These gains consist of increased profits and employers' incomes, but they are offset by reduced worker incomes. In Western welfare states, including Canada, these effects of immigration on the distribution of income result in stronger policies to maintain socially acceptable income inequalities that predated large-scale immigration. These policies distort incentives and reduce income and welfare by amounts that are likely to exceed the small net gains in output due to complementarities in production.

Borjas' review is based on the US economy. No comparable studies exist for Canada, but it is reasonable to assume that immigration in Canada has qualitatively the same effects since the labour markets in the two countries are very similar. Quantitatively, the effects might even be larger in relative

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- 13 The empirical magnitudes underlying Borjas' conclusions are as follows:
- "The presence of all immigrant workers (legal and illegal) in the labor market makes the US economy (GDP) an estimated 11 percent larger (\$1.6 trillion) each year. This "contribution" to the aggregate economy, however, does not measure the net benefit to the native-born population.
 - Of the \$1.6 trillion increase in GDP, 97.8 percent goes to the immigrants themselves in the form of wages and benefits; the remainder constitutes the "immigration surplus"—the benefit accruing to the native-born population, including both workers, owners of firms, and other users of the services provided by immigrants.
 - The standard textbook model of a competitive labor market yields an estimate of the immigration surplus equal to \$35 billion a year—or about 0.2 percent of the total GDP in the United States—from both legal and illegal immigration.
 - The immigration surplus of \$35 billion comes from reducing the wages of natives in competition with immigrants by an estimated \$402 billion a year, while increasing profits or the incomes of users of immigrants by an estimated \$437 billion.
 - Three key results are implied by the standard economic model: (1) if there are no wage losses, then there is no immigration surplus; (2) the redistribution of income is much larger than the surplus; and, (3) the size of the net benefit accruing to natives is small relative to GDP" (see: <http://cis.org/immigration-and-the-american-worker-review-academic-literature>).

terms since the proportion of immigrants in Canada's population (18.76%) is greater than that of the US (12.81%).¹⁴

If one assumes that the net gain of immigration in Canada is the same percent of GDP as that for the United States, the annual net economic benefit from immigration going to the native population is \$3.5 billion, which is 0.2 percent of \$1.74 trillion (the 2012 level of GDP). However, this net benefit is dwarfed by the fiscal burden, which is ignored in the estimates reviewed by Borjas and, according to Grubel and Grady, results from the welfare state that in recent years has amounted to between 20 and 26 billion dollars annually.

In addition, assuming that the redistribution of income from workers to employers found by Borjas also exists in Canada, the immigration flows have resulted in a substantial lowering of wages and increase in employers' incomes. The resultant stagnation of wages, and, more generally, the incomes of the middle class that have been observed in recent years, have produced strong demands for more income equalization policies. Future governments may heed these demands and the resultant policies may generate further economic costs through the distortion of incentives to work, save, and invest.

Of course, as Borjas points out, US immigrants enjoy very large gains in income and welfare. Canadian immigrants also gain substantially. In the light of these gains to immigrants and the losses of the native populations, the case for and against large scale immigration in principle comes to the question of what is the role of the Canadian government. If it follows the recommendations of immigration advocates, it makes policies to maximize world welfare and its goal should be high, if not unlimited immigration. If its policies are to maximize the welfare of the native population, immigration policies should be designed to eliminate the fiscal burden so that only positive economic benefits occur through immigration.¹⁵

The next chapter provides insights into the causes of poor economic performance of recent immigrants. Following chapters examine what the government has done to deal with these causes and what other policy changes are required to eliminate the fiscal burden.

14 Data are for the year 2006 and from United Nations.

15 The present study examines only the fiscal and economic implications of immigration. A full assessment of the welfare effects of immigration also includes effects on the social fabric, culture, and security of Canadian society. While these effects cannot be translated into economic values, they are of great concern to some Canadians and should be examined in relation to the economic costs. For a discussion of the social implications of large scale immigration see papers found in Moens and Collacott (2008), especially those by Grubel (2009), Gallagher (2009), and Mansur (2009).

Chapter 3: Reasons for the poor economic performance of recent immigrants

The immigrant selection policies described above failed to attract immigrants with lower than planned economic success for two main reasons.

Number of immigrants not subject to points test

The first of these two reasons is that in the year 2011 there are two groups of immigrants who enter the country without passing the points test. The first group is made up of the parents and grandparents of immigrants, who numbered 14,080, or 5.7 percent of the total.¹⁶ The others were refugees and others who numbered 36,178, or 14.6 percent, of the total.¹⁷

Parents and grandparents of immigrants tend to have low or no incomes because they typically have low attachment to the labour force and lack the skills, work experience, and language proficiency needed for successful employment in Canada. However, these parents and grandparents further

¹⁶ The relative importance of parents and grandparents in the total of all immigrants has varied considerably through time. During the years 2003 to 2012 the percentages were 8.8, 5.4, 4.8, 7.9, 6.7, 6.7, 6.8, 5.5, 5.7, and 8.5. In 2012 the absolute number was 21,850, a significant increase from the 14,080 the year before (See: <http://www.cic.gc.ca/english/pdf/research-stats/facts2012.pdf>).

¹⁷ In 2011, 84,357, or 33.9 percent, of all immigrants were the spouses and under-aged children of skilled and business class immigrants, leaving only 71,720, or 28.8 percent of immigrants who as individuals passed the points test. However, in the calculation of the fiscal burden, the dependants of these economic immigrants do not influence the results since in comparison to tax payments and benefits received by immigrants and Canadians, both groups include spouses and under-aged children and the family size of each group is so similar that any differences influence the basic results only minimally.

contribute indirectly to the fiscal burden as they are allowed to bring the siblings of their children already in Canada, who in turn may bring their spouses and dependants, who then can bring into Canada their parents, grandparents, and siblings. The important fact here is that none of these immigrants passed the points system.

Low earnings of skilled immigrants

The second explanation of the low average earnings of all recent immigrants (admitted as skilled workers, refugees, family re-unification, live-in care-givers, dependants, etc.) is due to the poor average earnings of skilled immigrants admitted since 1986. This deteriorating performance of recent immigrants is documented in figure 3, which compares the full-time working earnings of immigrant and Canadian-born males aged 16-64.¹⁸

The figure shows that immigrants who arrived between 1975 and 1979, during the first five years after their arrival had earnings that were 86 percent of those of demographically comparable Canadians. Immigrants who arrived during the period 1980-84 had earnings that were about 73 percent of those of Canadians. Immigrants arriving during later five year periods had progressively lower, comparable average earnings except for those in the 1995-1999 and 2000-05 cohorts who showed a slight improvement.

The lines in figure 3 show that the earnings of immigrants relative to those of Canadians increase with the length of time they have spent in the labour force. However, recent immigrants for whom data are available for their average incomes 20-25 years after their arrival do not achieve parity. The earnings of other cohorts remain below those of Canadians and earlier cohorts.

Reasons for deteriorating performance records

There is no agreement on why recent economic immigrants have had such a poor financial record. One of the most frequent arguments is that the immigrants face racial and systemic discrimination in the Canadian labour market. This view is supported by much episodal evidence based on encounters with

18 Unfortunately, the data do not contain information on what proportion of these immigrants were admitted under the skilled workers, family reunification, and refugee programs. However, given that the numbers in the first class are much larger than those in the second two groups, and that these proportions have remained relatively constant during the period under consideration, it is reasonable to assume that the deterioration of the economic performance of this group is due to increasing problems with the process used in the selection of the skilled immigrants.

immigrants who claim that they hold advanced degrees and are forced to drive taxis or accept low-paying jobs as unskilled workers.

There may well be this sort of discrimination, though in Canada many businesses run by immigrants should be free of such practices and offer employment to such individuals at pay that properly reflects their productivity; however, there are at least three economically sound explanations of the failure of highly educated immigrants to find jobs in their fields of qualification.

First, an Internet search of the words “counterfeit India graduation certificates” brings up 26 million relevant directives and articles. One of these advertises: “You can get any fake Graduation Degree certificate from us! We have Tie-ups with over 70 universities From All over India, and we can duplicate any document...” (<http://www.adpost.com/in/employment/111917/>). Firms that specialize in the sale of such documents exist in many developing countries other than India. A former member of staff at a Canadian consulate in India (who wishes to remain anonymous) states that several shops near the Canadian embassy in New Delhi offer such fake certificates and immigration officers do not have the resources to make careful checks on document authenticity.¹⁹ Because the use of fake university graduation certificates is so wide-spread in India, it is likely that at least some of the certificates submitted by applicants from that country are counterfeit, though due to the very nature of the crime, precise statistics are not available.

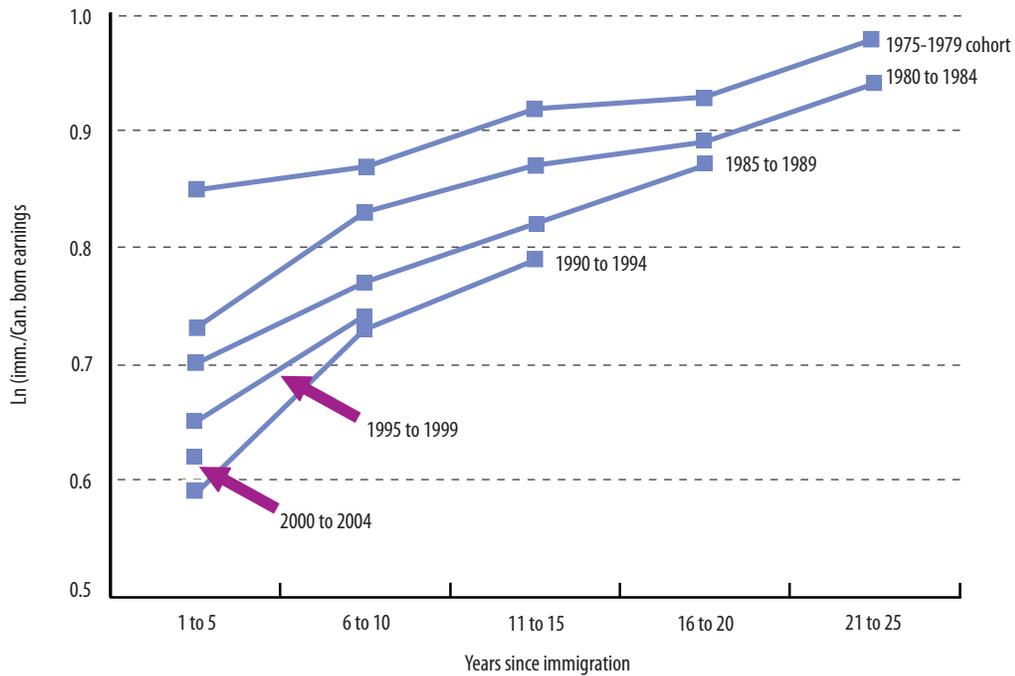
Second, the quality of education and training in many institutions of higher learning in India and China is inferior to that provided by Canadian institutions.²⁰ Immigrants claiming to be engineers may only be qualified by the standards of their universities to prepare project drafts in Canada.

Canadian professional associations responsible for screening and licensing engineers, doctors, accountants, and others try to overcome this problem by administering the tests used in certifying Canadians. Passing these tests typically requires the investment of much time, effort, and financial resources by the immigrants. These requirements are often considered to be excessive and to be used by established Canadian professional organizations to protect the economic interests of their members.

19 The new policy of the Canadian government to establish an independent agency for the evaluation of foreign universities discussed should reduce the incidence of the use of entirely fake certificates.

20 This fact is evidenced by the establishment of an “Educational Credential Assessment Initiative, which would introduce a mandatory requirement that immigrants under the Foreign Skilled Workers Skilled Workers Program have their education abroad assessed against Canadian education standards by designated organizations” (Government of Canada, 2012d).

Figure 3: Earnings of immigrants compared to those of comparable Canadian-born full-time full-year workers aged 16-64, males



Source: Picot and Sweetman (2011: 16) Census of Population. Earnings are predicted values based on a model.

While these professional organizations serve the interests of their members to some extent, their policies are circumscribed by legislation, which was designed to protect the public interest. Politicians face a very difficult problem in assessing which policies of these organizations exist to serve their members and which are needed for public safety. Importantly, politicians face much more severe sanctions from the media and the public if they impose policy changes that damage public safety rather than failing to force organizations to change the rules of certification for the benefit of immigrants.

Third, the lack of reliable information about the qualifications of foreign-trained professionals induces Canadian employers to prefer job applicants with Canadian credentials. Training and evaluating the performance of employees is costly and time-consuming and it is rational for employers to prefer hiring graduates from Canadian institutions with known qualifications.

Fourth, language proficiency levels have a significant influence on the economic success of immigrants (Boyd and Xingshau, 2009). As is the case with university graduation certificates noted above, certificates of language proficiency can easily be forged or are based on improper testing by the issuing institutions. Problems have been observed with the certification

of language proficiency, and these problems are likely widespread, though again because of the nature of the crime, it is impossible to know what percentage of applications by immigrants use such fake certificates. Canadian civil servants evaluating this proficiency do not have the resources to establish it through interviews as effectively as they did in the past. As in the case of university graduation certificates, the existence of these problems is acknowledged implicitly by the government's establishment of an independent agency to assess foreign certificates.²¹

All four issues surrounding employment and low earnings of immigrants with high educational attainment have recently been addressed by the Canadian government. The resulting policy initiatives are discussed next.

21 The government has proposed changes, as part of the Educational Credential Assessment Initiative, which would introduce a mandatory requirement that immigrants under the FSWP have their education abroad assessed against Canadian education standards by designated organizations" (verbatim from the Appendix below, which contains a government press release outlining recent changes in immigration policies, fifth paragraph from bottom of release).

Chapter 4: Recent policy initiatives adopted to improve economic outcomes

In 2001, the Liberal government's Minister of Immigration Elinor Caplan passed the Immigration and Refugee Protection Act (Bill C-11). Section 11 (1) stated that all foreign nationals shall be issued immigration visas if they pay a small fee and meet the requirements of the Act, which essentially means that they obtain enough points to pass the selection criteria described in Chapter 1.

By 2008, the wait list of applicants believing they qualified under the Act rose to nearly one million. According to the Act, the government was obligated to process these applicants in the order they joined the queue. This rule prevented the selection of immigrants who best met the needs of the Canadian economy. For example, an applicant with a total number of points equal to the required minimum (70) and training as a linguist, a field with few job openings, was admitted before one with a total of 80 points trained in a discipline like engineering, a field with many job openings.

Under the minority government of Stephen Harper, Minister of Citizenship and Immigration Diane Finley in 2008 corrected this unworkable and inefficient policy by the simple method of changing the wording of Section 11(1) from "shall" to "may".

In 2008, Jason Kenney replaced Finley as Minister of Citizenship, Immigration and Multiculturalism. Since his appointment he has initiated a series of policy changes: "Our government has a plan for a faster, more flexible,

responsive, and secure immigration system that will better meet Canada's economic needs while continuing to uphold our humanitarian commitments."²²

The new policies adopted by Kenney are analyzed below by following the expositional structure of the preceding section. Thus, it considers first the policies affecting family class immigrants and refugees, who are not subject to the evaluation of their economic prospects through the use of the points system. As noted above, these immigrants are important for the present purposes of analysis because they lower the average incomes of all immigrants and contribute much to the fiscal burden. The analysis then turns to the policy changes affecting economic immigrants.

Family class immigrants

In May 2013, the Department of Citizenship and Immigration published a document, which in effect offers an official assessment of the fiscal problems associated with the policies under which parents and grandparents are admitted into Canada (referred to below as the PGP program).²³

The PGP program generates costs to Canadian taxpayers as PGPs are unlikely to engage in paid employment or to become financially independent when in Canada. Data show that approximately one in 10 seniors aged 65 years and older participates in the labour market.* Low labour market participation by PGPs means limited contributions to Canada's tax base, higher likelihood of low incomes* and consequently a potential increased draw on social assistance benefits in comparison to economic immigrants, who consistently demonstrate a use of social assistance below PGP and average Canadian levels*. Data show that the incidence of social assistance benefits by PGPs increases significantly after the 10-year sponsorship undertaking period—from about 3% during a sponsorship undertaking, to close to 20% immediately after the undertaking has ended*—indicating that some PGPs depend on social assistance as an important source of income once the sponsorship undertaking has come to an end. The increase in the incidence of social assistance by PGPs may be attributed to the fact that after

22 For an official overview of these changes aimed at the general public see a press release by CIC (2012d) entitled: "News Release—A review of the past 12 months and beyond at Citizenship and Immigration Canada 'It's been a busy time, but we are not done yet,' says Minister Jason Kenney". The Appendix to this paper contains this News Release.

23 Asterisks indicate that in the official document footnotes are provided to support or elaborate the text. These footnotes are not included here to simplify the exposition and because their contents is readily available from the government website.

the PGP's 10 years of residence in Canada sponsors no longer have undertaking obligations towards their PGP (2013a: 2-3).

The PGP program also generates costs to Canadians in terms of health care given that many PGPs enter Canada at an age when health care costs typically increase. The average age of a PGP principal applicant at arrival is 65 years old. In Canada, more than 50% of a person's lifetime health care expenses are incurred after age 65, and they consume nearly 44% of all health care spending (Dodge and Dion, 2011).

These costs prompted the creation of new policies discussed in Citizenship and Immigration Canada (2013b), which are designed to ensure that Canadian sponsors have adequate financial resources to cover the living expenses and health care costs of their parents and grandparents:

- ◆ Increase by 30 percent the minimum income that immigrants need to sponsor their parents.
- ◆ Increase the length of time over which this income is earned from one to three years.
- ◆ Require that personal income tax records are used to document the required income over three years.
- ◆ Extend the commitment to cover the expenses of parents and grandparents from 10 to 20 years.
- ◆ Limit permanent resident visas to the dependants of the parents and grandparents to those with a maximum age of 18.

This new policy is accompanied by the projected admission of 50,000 parents and grandparents in 2012 and 2013, which according to the official document, represents the highest level in 20 years.

The government also made permanent the so-called Super Visa program, which allows parents and grandparents to enter Canada for a duration of up to two years at a time on a 10-year multiple-entry visa. "The Super Visa is very popular. Over 1,000 Super Visas are issued each month, with over 15,000 Super Visas issued since its launch in December 2011 and approval rates remain high at 86 percent" (CIC, 2013b).

Refugees

James Bissett is Canada's foremost expert on Canada's refugee system. In his analysis, he draws on his practical experience in dealing with immigration

issues while he served as Canada's Ambassador to Yugoslavia, Bulgaria, and Albania, as well as when he was the Executive Director of the Canadian Immigration Service.

He describes the system as it existed before the reforms discussed below:

After being fingerprinted and photographed, (the asylum seekers) are released and asked to show up at a refugee hearing, which may be scheduled months after their arrival. Few asylum seekers are detained, even if very little is known about their background. None of them are initially screened for health, criminality or security. There is no system for keeping track of them and they are free to travel anywhere in Canada. Many asylum seekers do not attend their refugee hearings. Those who do appear and are found not be genuine refugees are asked to leave, but many do not go home (Bissett, 2009: 85).

Many thousands of failed refugees who are asked to leave Canada are unaccounted for. Auditor General Sheila Fraser's latest report in May 2008 indicated there were 41,000 illegal immigrants missing whose whereabouts were unknown; most of the were assumed to be failed refugee claimants (Auditor General, 2008 and Bissett, 2009: 16).

Additionally, asylum seekers are attracted to Canada because of the high acceptance rate. This high rate is due to the fact that most judges handing down decisions are not trained lawyers, typically appointed by a political process, and have considerable discretion in their assessment of evidence. This problem is evidenced by the fact that some of these lawyers have acceptance rates near zero while others have rates near 100 percent without appreciable differences in the origins of the asylum seekers (Canadian Council for Refugees, 2013). Most important, concerning the average acceptance rates, the University of Ottawa, Human Rights Research and Education Center, Refugee Forum states:

Refugee acceptance rates have largely remained consistent at 40-45% for most years... In recent years, Canada's acceptance rates have generally been higher than acceptance rates in other industrialized countries (2012: 1).

This fact is evident from table 4, which shows that in a ranking of the average annual number of asylum seekers per 1,000 inhabitants during the years 2007-11, Canada places 11th in the world. All of the countries ahead in the ranking are much smaller than Canada and many border the Mediterranean,

which provides easy access by sea from countries of the Middle East and Africa that have experienced serious political and economic conflicts.

The best way to assess the results of Canada's policies is to compare them with those of Australia, which is similar in the size of population, economic and social conditions, and ease of access by asylum seekers, and the United States. As can be seen in the bottom half of the table, adjusted for population, Canada receives 2.4 times the number of asylum seekers than Australia receives. In comparison with the United States, Canada has 3.9 times the number of refugee claimants per 1,000 inhabitants.

Another problem with Canada's refugee policies is that it enables applicants to claim that they are fleeing persecution in their home countries when, in fact, they use the system to jump the queue of economic class immigrants. The evidence on the existence of queue jumpers is found in the fact that many asylum seekers have come to Canada from, or are citizens of, countries that do not have a record of human rights violations, such as the United States and countries of Western Europe.

Table 4: Number of asylum seekers per 1,000 inhabitants, 2007-11

Country	Number	Rank
Malta	20.1	1
Cyprus	17.1	2
Sweden	15.6	3
Liechtenstein	14.7	4
Norway	11.7	5
Switzerland	9.8	6
Luxembourg	8.4	7
Belgium	8.2	8
Austria	7.9	9
Greece	7.2	10
Canada	4.3	11
Other countries for comparison		
Australia	1.8	19
USA	0.9	24

Source: United Nations Refugee Asylum Agency (UNHRC), 2011.

Numerous other asylum seekers with legitimate claims are shopping for the best benefits by passing through the United States and countries of Europe, where they could have applied rather than coming to Canada.

Canada's generous refugee policies also explain why occasionally asylum seekers arrive in large numbers on boats, as did 76 of them in October 2009 and 492 in August 2010. These asylum seekers were Tamils from Sri

Lanka who, on their way, could have sought refuge in several other countries before they reached Canada's West Coast.

The preceding analysis of Canada's refugee policies reveals many problems that have existed for a long time and should have been corrected. It is important to understand why these problems have persisted for such a long period of time prior to discussing possible changes.

One reason is the existence of several distinct groups of individuals who have a strong interest in the maintenance and possible expansion of the existing system. First, there are lawyers who are paid by government to provide legal services to asylum seekers. Many have built successful careers through this work. Second, there are refugee consultants who, for a fee, coach asylum seekers on how to develop and present histories and evidence needed to obtain favourable rulings from the adjudicate authorities. These consultants place advertisements in *The Economist* and many other publications in Canada and abroad. Sting operations have revealed that they often employ questionable ethical standards in their work.²⁴ Third, there are the well-paid judges and panel members of the IRB system who are appointed by the government as a reward for past political service and loyalty.

These lawyers, consultants, and judges form what some refer to as the "refugee industry." Their lobbying with politicians has long prevented any effective reforms of the system from which they gain much personally and professionally.

Recent changes in refugee policies

Minister Kenney recently instituted a number of policies designed to eliminate some of the major short-comings of the system. The most controversial of these policies deals with the problem of asylum seekers who are natives of countries free of human rights violations or who arrive in Canada after a stop-over in these countries.

For this purpose, his ministry now has the right to declare as "designated countries of origin" to those he considers to be free from human rights violations, such as the United States, Australia, New Zealand, and Western

24 Keung and Rankin in the *Toronto Star* (2013) reported that Yuri Gavris, a Toronto immigration consultant, had been acquitted of counselling to fabricate a marriage because of the length of time that passed after he had first been accused of a crime and the time of the trial. The crime was based on a sting operation the results of which are summarized by Keung and Rankin: "...the RCMP alleged among other things that an undercover officer posing as a married woman with a Trinidadian boyfriend approached the consultant about his immigrating to Canada. Police alleged they were offered two routes: Pay a \$1,500 charge for a refugee claim, or \$5,000 for a marriage of convenience with a third party. Counselling to fabricate a genuine marriage is illegal under the act. If found guilty, penalties range from no jail time up to a maximum of \$50,000 fine and two years in jail."

European countries. Asylum seekers from these countries face hearings within 30 to 60 days rather than the 19 to 20 months other claimants face. These asylum seekers are also no longer able to launch appeals to the judicial boards. However, they may launch appeals over factual and documentary evidence with Canada's civil courts. While these appeals are taking place, they may be deported.

A second policy adopted by Kenney addresses the problems raised by the arrival of asylum seekers coming to Canada in large groups. Under the new provisions, the Minister of Public Safety can declare such individuals "irregular arrivals" and have them detained. After court processing, those declared to be genuine refugees may remain in Canada but cannot apply to become landed immigrants for five years. Those whose refugee status is declined cannot appeal and face prompt deportation.

Kenney, in his third new policy, requires immigration consultants to register with the government and meet certain standards of disclosure and accounting. This policy is designed to curb the coaching of asylum seekers on the use of fictitious accounts and forged documents useful in obtaining favorable rulings from courts by: "cracking down on crooked immigration representatives, thereby helping people who want to immigrate to Canada by protecting them from exploitation and abuse" (CIC, 2012d).

Fourth, asylum seekers are entitled to receive free medical care while their applications for immigration visas are evaluated by the IRB. For persons with serious medical problems who cannot afford to obtain care in their native countries, this feature of the Canadian system represents a strong incentive to seek asylum. The return to seeking asylum for seriously ill people is high even if their claims are weak and are fully expected to be rejected. To reduce the size of this incentive, the government created the rule that "failed claimants waiting for retrial through appeals do not receive health care more generously than what is available to Canadians" (CIC, 2012d).

Finally, Kenney dealt with the problem of a recent substantial increase in the number of asylum seekers from the Czech Republic, most of whom were Roma. Since the Czech Republic has an excellent human rights record, almost all of these claims were rejected and these asylum seekers were required to leave Canada. The problem for Canadian taxpayers was that during the long period while their refugee status was determined, they claimed significant financial and medical resources. In response to this problem, the government imposed visa restrictions on Czech residents.

A similar problem had arisen in recent years with asylum seekers from Mexico, which is also a country with a good human rights record. In this case also, the government of Canada imposed visa restrictions on all Mexican citizens.

The new policies aimed at reducing the number of asylum seekers have been successful with respect to Mexico. According to a report by

the University of Ottawa: “...in 2009 there were over 9,000 claimants from Mexico, but just over 700 in 2011” (2012: 1). It will take some time to know the success in reducing claims from other countries. Moreover, there is the risk that courts may rule in favour of suits, claiming that some of the new provisions are inconsistent with Canada’s Charter of Rights and Freedoms and that the new policies impose only marginally higher costs and risks on asylum seekers generally.

Economic migrants and skilled workers²⁵

The analysis of the poor economic record of recent immigrants presented above revealed the importance of changing policies used to approve the applications of economic immigrants. Recent changes by the government for this purpose fall into three different categories.

First, different weights are given to components of the points system. Language proficiency is given more weight as it was found to be a major determinant of economic performance. Moreover, more reliable methods for ascertaining language proficiency have also been introduced.²⁶

More weight is also given to applicants who are skilled in trades such as carpentry and plumbing, at the expense of the weight previously given to completed university degrees. To further this new policy, the government proposed the creation of a Federal Skilled Trades Program within the program involving Skilled Workers.

Second, the government will lead efforts to provide objective and reliable information about the quality of foreign educational institutions, which will be used by both civil servants assessing applications and potential employers. This policy is designed to deal with the problem that the quality of foreign universities varies widely and is not known to Canadian employers, causing preference for Canadian university graduates over graduates from foreign universities with unknown qualifications and skills.

More specifically, the government “proposed changes, as part of the Educational Credential Assessment Initiative, which would introduce a mandatory requirement that immigrants under the Foreign Skilled Workers Program have their education abroad assessed against Canadian education standards by designated organizations; launched a new website promoting innovations in the assessment and recognition of international qualifications” (CIC, 2012e).

The government also made it easier for foreign students who have graduated from Canadian universities to be issued immigration visas.

25 This section draws on Grady (2012).

26 For a more detailed discussion of these changes, references, and review of the effects of the changes on immigrant incomes see Chapter 7 in Grubel and Grady (2012).

These graduates were previously required to return to their home countries though they possess the educational qualifications, language proficiency, and Canadian work experience that are known as well as those of Canadians with the same background:

Starting November 5, 2011, many international Ph.D. students will be eligible to submit applications for processing as federal skilled workers. To be eligible, they must have completed at least two years of study toward the attainment of a Ph.D. and remain in good academic standing at a provincially recognized post-secondary educational institution in Canada. Those who have recently graduated from a Canadian Ph.D. program will also be eligible to apply, provided they do so within 12 months of their graduation (CIC, 2011b).

The government also proposed the creation of a system called “Expression of Interest”, which places applications from skilled workers into a database, which can be accessed by employers to find suitable applicants (CIC, 2012b). This system reduces the costs individual employers otherwise encounter in finding potential workers and establishing facts about their background. Similar systems have been successful in New Zealand and Australia.²⁷

Third, the government has given greater weight in the points system to applicants who hold a pre-arranged employment contract²⁸ and to immigrants selected by provincial governments. These new policies shift the burden of selection away from civil servants and onto potential employers whose self-interest is a stake and to lower levels of government that are better informed about the labour market needs in their jurisdiction than are federal civil servants in Ottawa. The results of this new process are likely to be the selection of economic immigrants with greater prospects of success than those selected by civil servants.

Reducing fraud

One of the least controversial initiatives designed to improve Canada's immigrant selection policies has been the establishment of a tip line, which can be used by the public to report violations of existing rules governing the behaviour and status of immigrants and asylum seekers. Potentially more controversial, on the grounds of the invasion of privacy, is legislation which

27 For details about these programs in Australia see <https://www.immi.gov.au/skills/skillselect/> and for New Zealand go to <http://www.immigration.govt.nz/migrant/stream/work/skilledmigrant/apply/>.

28 The effect of this change is the focus of Chapter 7 in Grubel and Grady (2012).

allows the collection of biometric data from visa applicants to determine national security threats (CIC, 2012e).

The government increased cooperation with the Canada Border Services Agency and the RCMP to deal with landed immigrants who falsely indicate that they are residents of Canada when they live and pay taxes abroad. This fraud is used to meet residency requirements that exist for landed immigrants as a condition for obtaining Canadian citizenship (CIC, 2012e).

Another policy deals with marriage fraud, which involves a marriage between a Canadian citizen and a foreigner that is dissolved once the foreigner is in Canada and has been certified as a landed immigrant able to remain in the country indefinitely and become a citizen.²⁹ After attaining this status, the new Canadian can sponsor the immigration of his or her parents and grandparents and, through them, bring their siblings into the country. The divorce sometimes is part of a pre-arranged deal providing Canadians with a payment in return for the service. Sometimes it involves foreign spouses faking love and commitment to induce a Canadian to marry them.

The government has created a new policy to deal with marriage fraud by “barring sponsored spouses from sponsoring a new spouse for at least five years and proposing a new two-year period of conditional permanent residency for some sponsored spouses” (CIC, 2012e), and, effective October 25, 2012, sponsored spouses or partners must now live together in a legitimate relationship with their sponsor for two years from the day they receive permanent residence status in Canada” (CIC, 2012d).

A divorce before the end of these two years leads to the deportation of the foreign spouse. The effectiveness of this provision in reducing marriage fraud is very questionable since it can be circumvented quite easily. The partners in the deal simply sign a contract specifying that the official divorce will take place two years after the marriage but that separation and freedom from all marital obligations can take place any time after the marriage.

Sex workers

In 2012, the government prohibited the issuance of visas and work permits for foreigners coming to work in strip clubs, massage parlours, and escort agencies. The official reason for this measure is “to protect vulnerable workers” (CIC, 2012e). For the present purposes of analysis, the main effect of this measure reduces the number of immigrants whose likely incomes are low and add to the fiscal burden discussed above.

29 For detailed information on this program see Immigration Pros Consultancy Service (2012).

Live-in caregivers

The Live-in Caregiver Program (LCP) brings into Canada individuals who sign contracts with Canadians who provide them with housing, food, and a salary in return for baby-sitting, health care, and other house-keeping duties. These immigrants are not subject to the points test. They arrive in Canada on temporary work visas and are entitled to landed immigrant status after they have worked in the occupation for 3,900 hours. After attaining this status they are permitted to have their spouses and under-age children join them in Canada.

In 2010, 14,000 people became permanent residents under LCP programs, representing about five percent of all permanent residents admitted that year, which is “a huge percentage for any single occupation” according to a government document (CIC, 2011: 1).

In 2011 and 2012, the government passed regulations to speed up the process of issuing open work permits to LCP applicants so that they can establish their own homes and seek jobs in other fields after they have completed the requirements of the Program (CIC, 2012e). In 2011, it changed some of the rules applied to this Program, which protected applicants and encouraged the filing of applications (CIC, 2011b).

Workers coming to Canada under the LCP program have low taxable incomes. Their spouses and children who join them after they have fulfilled their initial obligations do not pass the points test and are likely to have on average skills that bring low wages.³⁰ It is clear that the immigrants admitted to Canada under the extended LCP program add to the fiscal burden discussed above.

However, the hiring of a caretaker can lead to a reduction in this fiscal burden. This happens if one of the parents of the family who before the arrival of the caregiver had been taking care of the children is able to accept paid employment. The amount by which the fiscal burden is reduced is a function of the excess of the parent's earning over the Canadian average needed to cover the average cost of the public services consumed by that taxpayer. In the case of caregivers hired by elderly persons or couples in need of care in their homes, the government saves the cost of their stay in a subsidized home for the elderly.

A rough calculation of fiscal costs and benefits for the LCP program is that using the figure for the average fiscal burden of \$6,300 discussed above, a caregiver family of four imposes a total fiscal burden of \$25,200 annually. Professionals eliminate this burden if they earn \$63,000 and pay \$25,000

30 If they could have passed the points test they could have applied and joined their spouses and children earlier. People who pass points test are supposed to have good economic prospects.

(about 40 percent) in taxes.³¹ In the case of an elderly couple avoiding life in a retirement home, the break-even point comes if the public subsidy to the home for the two is \$25,200.³²

General assessment

In general, the new policies enacted by Minister Kenney in recent years are moves in the right direction. These policies will likely improve the economic prospects and tax payments of future immigrants. However, the improvements are likely to be small and highly uncertain for three important reasons.

First, the changes are marginal improvements in reducing Canada's attractiveness to asylum seekers, in the selection process of economic immigrants, and the avoidance of fraud. The number of parents, grandparents, and dependants admitted has increased to the highest level in 20 years but policies have been created to reduce the possible fiscal burdens imposed on Canadian.

Second, the new policies are likely to have unintended consequences that defeat their purpose. For example, pre-arranged job offers can lead to a flood of immigrants employed by low-paying service industries like restaurants and janitorial services, which would lower the average incomes of all immigrants. There is the risk that job offers are issued by phantom employers and involve only short-term work before immigrants must find new jobs, or add to unemployment and burden Canada's social programs.

Another example of unintended consequences concerns the policy of giving preference to graduates from Canadian universities. This preference may well result in the creation of new institutions of higher learning that specialize in serving foreign students. Ensuring that the quality of these new institutions is adequate will require costly policing and documentation procedures.

In general, the government has failed to give any information on how it plans to deal with the potential problems outlined above and many other problems are almost certain to arise as new policies create incentives to avoid costs and undesired consequences of following them to the letter.

Needed adjustments to the existing system will always be subject to manipulation by politicians acting to increase their election chances rather than in the interest of the public. Civil servants who administer the system often act to protect their positions and avoid risks rather than administer the rules to serve the public interest. In the process they are more likely to

31 The calculation must be adjusted if the cost of the caregiver is claimed as a deduction in the calculation of taxable income.

32 A complication here is that the need for the subsidy ends with the death of the elderly while the fiscal burden imposed by the immigrant family continues thereafter.

approve applications rather than face the wrath of the applicants' relatives in Canada, which is often dramatized by sympathetic media.³³

The third problem with the recent efforts to improve Canada's immigration policies is that the total number of immigrants admitted annually is determined in a process that lacks rationale and transparency. The Minister of Citizenship, Immigration and Multiculturalism submits a yearly immigration quota to parliament, which is set after an informal survey of the general public but without discussion or explanation by economic and immigration experts.

Related to the issue is whether or not the immigration quota should be varied according to labour market conditions. There is a need to revisit the view that highly educated immigrants are able to adapt readily to recessions and increase economic growth during booms so that a steady annual number of immigrants does not aggravate the size and duration of business cycles.³⁴

33 The propositions in this paragraph are based on insights gained from Public Choice Theory, the most prominent exponent of which have been Buchanan and Tullock (1962).

34 Grady (2009) presents data showing that recent immigrants have higher rates of unemployment during recessions than other Canadians and they therefore add to total and rates of unemployment and to the level of unemployment insurance benefits paid out by the government.

Chapter 5: Radical reform proposal for the selection of immigrants

The preceding analysis suggests the need for more radical reform of Canada’s immigrant selection system to ensure that it serves the economic interests of the population while meeting the country’s humanitarian obligations. The following reform proposals are based on the definition of economic interest as an increase in per capita income, not aggregate national income.³⁵ They do not deal with policies affecting asylum seekers, which are determined by international agreements and, therefore, are beyond the scope of this study.³⁶

Family class immigration

The admission of parents and grandparents of immigrants imposes a large fiscal burden on Canadians. According to CIC, “the incidence of social assistance benefits by PGPs increases significantly after the 10-year sponsorship undertaking period—from about 3% during a sponsorship undertaking, to close to 20% immediately after the undertaking has ended”(2013a). Another CIC report (2012b) states that 70 percent of income of parents and grandparents 10 years after immigration comes from the government’s OAS/GIS pension system, which they are entitled because of their low incomes.

In addition, parents and grandparents impose significant costs on Canada’s public health care system. According to Dodge and Dion (2011),

35 Green (2009) notes that an inquiry into Britain’s immigration policies accused the government of misleading the public about the alleged benefits of immigration by referring always to its effects on aggregate national income rather than the effects on per capita income.

36 For a discussion of reforms of the refugee adjudication program see Bissett (2009).

the average cost of health care for seniors 75 to 84 is about \$12,300 annually. The costs are somewhat lower for seniors below 75 and higher still for seniors above 84.

Since no data exist for the numbers of parents and grandparents at different ages drawing on public health services in Canada, it is not possible to estimate the size of fiscal burden they impose on the health care system. However, given the large numbers of parents and grand parents noted above who have settled in Canada in recent years, it is clear that the burden is substantial.³⁷

It remains to be seen how effective the new policy is in reducing this fiscal burden. One reason is that if the sponsors of the parents and grandparents fall onto bad times and cannot provide the financial support they promised, legal actions against the sponsors are likely to cost more than can be recovered from the sponsors already in financial difficulties.

Australia attempted to overcome this problem by requiring sponsors to put money into escrow accounts large enough to cover the living and health expenses of their parents and grandparents, though the success of this policy depends on the adequacy of the funds in escrow in covering these expenses and adequate funds may be so large that few immigrants have the resources to meet the requirements.

If the government is genuinely interested in reducing the fiscal burden imposed on Canadians through the current immigrant selection process, the policies used to admit parents and grandparents should be reformed fundamentally. One extreme option certain to eliminate the burden after some time would be to end rights of future immigrants to have their parents and grandparents join them in Canada as permanent residents.

Fairness demands that this proposed new policy should not apply to immigrants already in Canada. They would retain the right to have their parents join them if they are able to meet the financial obligations needed to keep them from using income and health benefits offered by the government of Canada under regulations introduced in May of 2013.

It should also be noted that under the proposed policies, all immigrants, including those arriving after passage of the policies, are able to maintain relationships with their parents and grandparents in Canada through the use of "Super Visas" discussed above, which allow them to visit Canada for limited periods of time.

As is the case with all policy changes, there are some negative consequences and some risks. The negative results stem from the fact that during the transitional phase a large numbers of parents and grandparents would be able to join their immigrant offspring already in Canada. Collacott (2013) and

37 For another discussion of the costs of the current policies affecting the parents and grandparents program, see Grady (2012).

Grady (2012) considered their potential numbers and costs and concluded that they would impose a fiscal burden amounting to billions of dollars—the precise number depends on a number of assumptions. However, while these costs are undesirable, they are worth incurring if the proposed grand-fathering of the current policy facilitates the adoption on the new policy and the arrival of the time when no new burdens would develop.

The proposed policy shrinks the pool of potential immigrants and Canada may be forced to accept immigrants with lower average economic prospects to meet its targeted number. However, the pool of potential immigrants interested in Canada presently and in the foreseeable future is very large—there were 950,000 actual applicants in June of 2008.³⁸ It is highly likely that among these and future applicants enough will meet Canada's standard requirements for predicted economic success.

Abandon and replace the points system

The second reform proposal presented here is truly revolutionary. It envisions the complete abandonment of the present points system and the admittance of skilled immigrants only if they have pre-arranged employment contracts for work in Canada. In effect, under this proposed system the economic prospects of potential immigrants are assessed by employers who act in their self-interest but, guided by the invisible hand of competition, also act in the public interest. According to Hayek, the information generated by this process is far more reliable than that produced by politicians and civil servants, who do not possess the knowledge required to act in the public interest and whose motives often are inconsistent with it.

Unfortunately, employment contracts are not a perfect indicator of the workers' contribution to the common good because of the existence of Canada's welfare state with progressive income taxation and universal provision of social services. For this reason, in order to protect taxpayers from the potential fiscal burden imposed by immigrants, the government needs to remain involved in the process of selecting them.

For this purpose, the government needs to impose the requirement that the pay attached to contract offers to potential immigrants has to be at least equal to the average workers' pay in Canada (or in the region in which employment would take place). At such compensation levels, immigrants will pay at least enough taxes to cover the cost of the government services they consume and therefore will cease to impose a fiscal burden on Canadian taxpayers.

The proposed reform also deals with the current important problem that the total number of immigrants admitted annually is determined by

38 See Bissett (2009): 7.

politicians who tend to make vague references to the needs of the economy for labour and absorptive capacity but never offer real economic rationales. By serving the self-interest of individual employers, through the operation of market forces, the proposed system causes the sum of the actions of individual employers also to serve the public interest.

Another important benefit of the proposed reform is that it eliminates the pro-cyclical nature of the present system, which brings to Canada the same number of immigrants regardless of the level of unemployment. Under the proposed system immigration levels will be lower during recessions and higher during boom times. Since this benefit depends on the issue of immigration visas promptly after employers have issued their employment offers, the system needs to be designed with this goal in mind.

Under the proposed system, the government of Canada would remain responsible for assessing the health and security risks of potential immigrants before visas are provided. This provision is based on the view that health and national security are important responsibilities of government that cannot be handled efficiently and properly by the private sector.

The proposed reform needs to be accompanied by escape clauses, which exist in most government legislation. These clauses are designed to deal with unexpected developments that endanger public wellbeing. Such escape clauses might also involve conditions for periods when the rate of immigration is so high that the economy's ability to provide the infrastructure needed to supply the growing population is insufficient.

Of course, the operational definition of when such escape clauses should be used returns some discretionary power over immigration back to politicians. While this problem never can be avoided completely, it can be minimized by the careful specification of conditions when they exist. In addition, their invocation can be made conditional upon majority voting in parliament.

Problems and issues with proposal

Much consultation and study are needed to ensure that the abandonment of the points system and the use of employment contracts as selection criteria produce the desired results. The following is a short list of problems that require special attention.

Compliance with all the rules concerning the issuance of employment contracts needs to be enforced carefully as employers will be tempted to issue phantom contracts at the required high pay in the expectation of dismissing workers shortly after their arrival, and pocketing a fee paid by the worker in return for getting a visa to settle in Canada. Alternatively, employers showing a high pay in the employment contract might simply pay much less once the workers are in Canada and have their immigrant visas.

These and other likely scams can never be avoided entirely. However, the government can minimize their use by proper regulations and enforcement. For example, employers and workers could be required to file evidence of continued employment and the level of pay with an agency created for this purpose and with access to income tax returns. The enforcement would be backed by stiff fines and potential deportation of immigrants guilty of violating the rules.

The problem of compliance is complicated by the fact that the employers have significant power over the foreign workers during the period they need to qualify for their landed immigrant status. The employers can threaten these workers with dismissal and the issue of poor letters of recommendation so that they are at risk of losing the visas issued when they started to work with the Canadian firm. Again, there are no easy ways to avoid this problem, but it could be alleviated by the creation of a board of appeal, which would adjudicate complaints by foreign workers who believe that their employers are treating them in ways inconsistent with the intention of the program that allowed them to work in Canada.

Unemployment of immigrants admitted under the proposed reforms raises additional problems for the efficient and equitable operation of the system. Unemployment may be caused by recessions, the bankruptcy of employers' firms, or legitimate, normal, and routine conflicts between workers and employers. Unemployment caused by these factors is in practice indistinguishable from unemployment caused by fraud of the sort described above. These problems can be dealt with by forcing new immigrants to report their employment status periodically over a limited period of time after their arrival in Canada. Immigrants who remain unemployed for a specified length of time during the period before obtaining landed immigrant status can be made subject to deportation.

Gathering information about the suitability for employment of foreign job applicants is costly and difficult, especially for small and medium sized firms. To reduce this cost and difficulties, new businesses may be expected to do the required research and pass the information on to potential employers, much like job search firms do in the domestic labour market. The government might subsidize or get involved directly in the operation of such information exchange systems, much as it is planning to do with the "Expression of Interest" program discussed above.

It is obvious from the preceding analysis that many issues are known and more will emerge as the proposed reform is implemented. However, it is highly likely that these issues surrounding the proposed reforms are no more numerous, and probably much less, than those existing with the present system.

There are three likely fiscal benefits for Canadian taxpayers from the adoption of the proposed system. First, the expected costs of operating and

policing the proposed system would be lower than those of the present system, given that the new system in principle is relatively simple.

Second, and most important, the expected higher earnings and tax payments of immigrants selected under the new system would reduce and ultimately result in the elimination of the present fiscal burden of about \$20 billion annually. Even if it turns out that the costs of administering the proposed system are higher than those of the old system, taxpayers may be expected to enjoy large gains.

Third, the proposed open discussion of annual immigration quotas may well result in the avoidance of economic and social costs associated with the absorption of immigrants at non-optimal times. Making the annual inflows sensitive to labour market conditions and making the processing of visas quick enough to ensure the arrival of more immigrants during booms, and fewer during recessions, would reduce the size and duration of cyclical unemployment. These benefits would not show up directly in national income accounts but accrue to all Canadians through higher incomes and steadier employment.

Chapter 6: Summary and conclusions

Canada uses a points system to select immigrants with good prospects for economic success. It also admits immigrants to meet humanitarian obligations. Unfortunately, this system in recent years has resulted in an influx of immigrants with lower incomes and tax payments, on average, than those of Canadian-born citizens. These immigrants impose a substantial fiscal burden on society that exceeds by far the gains in economic efficiency and scale arising from the complementarity of labour and from other gains such as reductions in unfunded liabilities of social programs and savings in education costs resulting from arrival as adults educated abroad.

The current government recognized the existence of this fiscal problem and initiated a series of new policies to reduce it. The new policies used to prevent the arrival and admission of asylum seekers are very likely to be successful. Policies affecting the immigration of parents and grandparents would also reduce the burden they impose on government services, though it remains to be seen what actions will be taken if sponsoring offspring renege on their financial obligations. Moreover, the large backlog of applicants and the promised annual rate of acceptance of parents and grandparents will continue to add to the existing fiscal burden since the fees paid by these immigrants do not cover the full costs of health and other public services they consume.

The new government policies used in selecting economic immigrants will reduce fraud and increase the economic prospects of future immigrants, but these effects are likely to be small and have a minimal impact on the fiscal burden.

This paper proposes a set of radical policies that would almost certainly eliminate the current fiscal burden. One proposed policy would no longer allow new immigrants to bring their parents and grandparents into the country, though immigrants already in Canada would be exempt from this rule. The other radical proposal entails the abandonment of the points

system and its replacement with pre-arranged contracts for work in Canada as main selection criterion for economic immigrants. The government would continue to have important responsibilities under this selection system, such as setting a minimum level of pay, enforcing regulations, and ensuring that the health and security of Canadians are protected.

Fundamental problems not addressed

The most fundamental problem not addressed in the analysis of new immigration policies involves a method for determining the optimum number of immigrants admitted into Canada every year. No explicit economic rationale exists in the economic literature or government documents to justify the current level of annual immigration. Nor are there explicit discussions of its cultural and social implications. The choice of the optimum level of immigration transcends in importance for the wellbeing of Canadians all of the marginal reforms of the current system discussed above.

A principled rationale for the determination of the optimum level is needed. The proposed use of pre-arranged employment contracts as the main criterion for admission uses market signals and forces as a rationale, but it is in need of qualifications because the Canadian welfare state. It is possible that efficiency considerations like absorptive capacity of the economy or targeted growth in aggregate national income or per capita income can provide alternative rationales.

The choice of the suggested rationale and possible modifications involves many difficult issues. New policies based on the rationale will encounter many objections from affected interest groups, but these problems can and should be overcome. A first step is for the government to arrange a well-publicized public debate of these issues and concerns with invitations to academics, politicians, and many interest groups to present their views.

In such presentations, employers are likely to argue for high levels of immigration to stimulate business activity, increase profits, the size of the economy, and tax revenues. Representatives of labour might argue for less immigration to prevent the downward pressures on wages or recommend more immigration to increase membership in unions. Immigrant groups might argue for higher levels of immigration to maintain family ties and increase their communities, or, in their roles as new Canadians, argue for lower rates of immigration in the knowledge that it would reduce job competition, raise wages, and lower taxes needed to pay for the fiscal burden. Some economists might argue for lower immigration levels to maximize per capita incomes and minimize the fiscal burden. Others might argue for more immigration to maximize world welfare and bring higher incomes to natives through complementarity in the labor market. Sociologists and political

scientists would discuss the impact of higher or lower immigration levels on multiculturalism, Canada's traditional culture, and national security.

Public opinion informed by this discussion with the help of the media would become important in the formation of the policy platforms of political parties and thus ultimately become the determinant of Canada's immigration policy. It is impossible to predict the outcome of this process. It might lead to higher, lower, or unchanged levels of immigration, but whatever the result, the process would make for a better informed and more rational Canadian immigration policy.

Appendix

News Release—A review of the past 12 months and beyond at Citizenship and Immigration Canada “It’s been a busy time, but we are not done yet,” says Minister Jason Kenney

Ottawa, August 24, 2012—With historically high numbers of new immigrants arriving in Canada, the Government of Canada has introduced a number of significant reforms over the past year to strengthen the integrity and economic responsiveness of the immigration system.

“Our government has a plan for a faster, more flexible, responsive and secure immigration system that will better meet Canada’s economic needs while continuing to uphold our humanitarian commitments,” stated Citizenship, Immigration and Multiculturalism Minister Jason Kenney. “With our changes, immigrants will see their lives improve, and Canadians will see the economy grow.”

In the past year alone, the government has strengthened our immigration system by:

- ♦ introducing and passing the Protecting Canada’s Immigration System Act, which reforms the asylum system to make it fast and fair, combats human smuggling and allows for the collection of biometric data from visa applicants
- ♦ introducing and passing *Economic Action Plan 2012*, which makes the economic stream faster and more flexible to contribute to jobs, growth and prosperity. The changes cleared the way for a new, modernized Federal Skilled Worker Program (FSWP) by eliminating the old backlog that was leading to wait times of more than seven years for skilled worker applicants

- ◆ introducing the Faster Removal of Foreign Criminals Act, which would close avenues used by convicted foreign criminals to delay deportation and stay in Canada

There have also been a significant number of regulatory changes. As part of the government's commitment to family reunification, it has:

- ◆ introduced the Parent and Grandparent Super Visa, valid for up to 10 years for visits of up to two years, which has been a great success with nearly 3,700 successful applications in its first six months
- ◆ reduced the backlog for sponsored parents and grandparents

Other regulatory and program changes crack down on fraud and abuse in the system by:

- ◆ taking action against marriage fraud by barring sponsored spouses from sponsoring a new spouse for at least five years and proposing a new two-year period of conditional permanent residency for some sponsored spouses
- ◆ cracking down on crooked immigration representatives, thereby helping people who want to immigrate to Canada by protecting them from exploitation and abuse
- ◆ combating residence fraud in the citizenship and permanent residence programs by enhancing program integrity measures and working with the Canada Border Services Agency and the RCMP on investigations into cases suspected of false representation and fraud
- ◆ launching a new tip line through the Citizenship and Immigration Canada (CIC) Call Centre where tips on suspected citizenship fraud cases may be reported
- ◆ reforming the Interim Federal Health Program to act as a disincentive for people not in need of Canada's protection and to ensure that failed claimants do not receive health care more generously than what is available to Canadians, while continuing to protect the health and safety of Canadians
- ◆ protecting vulnerable workers by prohibiting the issuance of visas and work permits for foreigners coming to work in strip clubs, massage parlours and escort agencies

Recognizing the important role immigration plays in our economy, and the growing labour shortages in parts of the country, including in key industries, over the past few years the government has also:

- ◆ proposed improvements to the FSWP to place greater emphasis on selection criteria that have shown to contribute to better labour market outcomes, so that Canada can select skilled workers who would be able to integrate more rapidly and successfully into the Canadian labour market
- ◆ reduced by over three-quarters, from 640,000 to close to 150,000, the total number of people in the Federal Skilled Worker backlog of applications prior to February 27, 2008
- ◆ proposed the creation of a new Federal Skilled Trades Program
- ◆ proposed changes to the Canadian Experience Class to make permanent residence even more accessible to talented skilled workers proficient in English or French, with Canadian educational credentials and work experience who are already doing well in Canada
- ◆ improved the Live-in Caregiver Program by speeding up the process of issuing open work permits to caregivers who have completed the requirements of the Program, so they can establish their own homes and seek jobs in other fields
- ◆ increased the number of provincial nominees and, in doing so, improved the geographic distribution of newcomers across Canada
- ◆ in collaboration with provincial and territorial partners, introduced new minimum language requirements for immigrants under the Provincial Nominee Program, thereby helping social, economic and cultural integration
- ◆ expanded a pilot project with the Government of Alberta to help Alberta employers seeking highly skilled foreign workers to fill an acute, regional labour shortage
- ◆ introduced a new immigration stream to attract and retain international PhD students
- ◆ proposed changes, as part of the Educational Credential Assessment Initiative, which would introduce a mandatory requirement that

immigrants under the FSWP have their education abroad assessed against Canadian education standards by designated organizations

- ◆ tripled its investment in settlement services outside of Quebec since 2005–2006, while ensuring fair funding across Canada for services like free language classes
- ◆ launched a new website promoting innovations in the assessment and recognition of international qualifications

In keeping with Canada's tradition of having one of the most generous immigration and refugee programs in the world to help the world's persecuted, the government has increased resettlement targets by 20 percent. Canada's resettlement program continues to be one of the top three largest in the world. This includes an increase to the Refugee Assistance Program. In addition, a new Refugee Appeal Division at the Immigration and Refugee Board of Canada has been introduced for refugee claims made in Canada.

"We are continuing to make changes to create a faster, more flexible immigration system," said the Minister. "We have made great strides in the past year, but we know there is always more work to do and look forward to even more improvements and reforms in the year ahead."

Source: <http://www.cic.gc.ca/english/department/media/releases/2012/2012-08-24.asp>

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