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Grady, Patrick

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## **Conservative Immigration Policy Reform Has Not Yet Produced Any Significant Improvement in the Aggregate Labour Market Performance of Recent Immigrants**

By  
**Patrick Grady**

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**Abstract:**

This paper examines the performance of recent immigrants to Canada in the labour market as revealed in the Longitudinal Immigration Database (IMDB), which is an administrative database constructed by Statistics Canada by combining an administrative landing file from Citizenship and Immigration with the T1 Family File (T1FF) from the Canada Revenue Agency. As this database extends to 2010, it provides evidence on the impact on the labour market performance of recent immigrants of the relatively ambitious immigration reforms introduced by the Conservative Government. The conclusion of the paper is that the overall performance of recent immigrants has not improved enough to substantially reduce the wide earnings gap that has opened up between average recent immigrant and overall earnings. There are many reasons for this, but the most important is that the Conservative Government has continued to pursue a policy of high mass immigration admitting around 250,000 new immigrants per year right through the 2008-09 recession.

**JEL Classification Codes:** J23 – Labour demand; J24 – Human Capital; Skills; Occupational Choice; Labor Productivity; J61 – Geographic mobility, immigrant workers.

**Keywords:** wages, recent immigrants to Canada, immigration policy, immigrant labour, human capital

## Introduction

When the Conservative Government came to power in January 2006, it inherited a failing immigration policy. Since the number of immigrants was increased in the late 1980s, the performance of immigrants in the labour market had steadily deteriorated and new immigrants had become an increasing drain on government. More precisely, in a recent study Herbert Grubel and I estimated that recent immigrants imposed a fiscal burden of at least \$20 billion annually (1.1 percent of GDP) on Canadian taxpayers, mainly because the income taxes paid by these immigrants are only about half those paid by Canadians, while both groups receive the same benefits from government spending (Grubel and Grady, 2011 and 2012).

To deal with the unsatisfactory situation, which threatened to get even worse if the growing backlog of accepted, but not yet admitted, immigrants were all allowed in. The Conservative Government eliminated the backlog by means of legislation, angering many. It also tightened up the criteria for Federal Skilled Workers, and moved to ensure that it was more difficult to make unjustified refugee claims.

At the same time, the Conservative Government has maintained a historically high level of immigration of around 250,000 per year right through the Great Recession of 2008 and soaring unemployment, which reached 8.7 per cent overall and was almost double that for recent immigrants. This can be explained by a variety of factors including seeking to appeal to Canada's immigrant communities, keeping the private sector happy by making available a plentiful supply of cheap foreign, keeping provincial governments happy by letting them choose many of the newcomers (which they are also doing in response largely to pressure from employers).

The question that needs to be asked is how successful has the Conservative immigration policy reform been in improving the labour market performance of recent immigrants. Incidentally, this is a question, which has been made much more difficult to answer by the Conservative Government's controversial decision to drop the long form questionnaire from the 2011 Census. The new National Household Survey, which replaced the long form, reportedly has a much lower response rate (68.6 per cent compared to 93.5 per cent for the 2006 Census [McKenna, 2013]) and constitutes a substantially different approach that will make it difficult, if not impossible, to compare performance across time.

Fortunately, there is still data available from the Longitudinal Immigration Database (IMDB), which is an administrative database constructed by Statistics Canada by combining an administrative landing file from Citizenship and Immigration with the T1 Family File (T1FF) from the Canada Revenue Agency. It utilizes exact matching record linkage techniques for immigrants who filed taxes at least once. The IMDB covers the period between 1982 and 2010. An advantage of the IMDB over the census data is that it provides a breakdown of immigrants into all of the various administrative categories, which permits an analysis of how the different immigration programs are working and contributing to the overall result. However, there are also drawbacks to the IMDB as a

resource for analysis of Conservative immigration policy. Like the Census, it suffers from being almost three years out of date now and not capturing more recent developments, which would allow more time for the Conservative immigration reforms to have an impact. And as an administrative database it is subject to greater privacy concerns and is only fully available to researchers that have been sworn in under the Statistics Act and allowed to work under the control of Statistics Canada. However, some tabulations have been made available on Statistics Canada's website. This paper makes use of that data to draw some conclusions about the success of Conservative immigration reform.

## **The Data**

The two reference arrival years for studying the success of Conservative immigration policies are 2006 and 2010. The immigrants included in the totals shown in Table 1 for these two years are those who were approved in the four previous landing years (i.e. 2006, 2007, 2008 and 2009 for 2010; and 2002, 2003, 2004, and 2005 for 2006) and who filed income taxes. This is done so that those immigrants counted in 2010 would reflect the admission decisions made by the Conservative Government after it came to power and those counted in 2006 would be attributed to admission decisions made by the previous Liberal Government. The immigrants landing in the same year that the income tax is filed and earnings are calculated (i.e. 2006 and 2010) are excluded as they land at different times during the year and their annual earnings, which are used as an indicator of the success of immigration policies, do not reflect a full year's participation in the labour market.

Admittedly, the period of one-to-four years after landing used here is a very short one to use for analyzing the results of changes in immigration policy on labour market performance, but it utilizes all the data currently available and should provide an early indicator of whether the Conservative immigration policy changes are going to be able to significantly improve the poor performance of recent immigrants in the labour market.

The first thing worth noting in Table 1 is that the total number of immigrants included in the database actually increased under the Conservatives. This is because the number of provincial nominees and dependents, family class, and live-in-caregivers increased even though the number of Federal skilled workers and dependents, and refugees landed in Canada, which bore the brunt of the tightening introduced in the reforms, actually decreased significantly. This reveals that clamping down on the Federal Skilled Worker Program and screening out non-qualified refugee claimants are not enough by themselves to reduce the overall number of immigrants.

The most meaningful indicator of the performance of recent immigrants in the labour market is their average earnings, which includes both employment and self-employment earnings. It is a measure of how much they contribute by their labour to Canada's GDP and, since labour income is by far the largest category of income, of how much they can afford to pay to finance their share of Canada's public spending.

The number of immigrants declaring employment or self-employment income on their T1 Tax forms is shown in Table 2. This is smaller than the total number of immigrants filing tax returns in Table 1 because it only includes those with employment or self-employment income and excludes those who filed to declare non-wage income such as interest, dividends, capital gains, government transfers and to claim tax credits such as the child tax benefit or the GST credit.

Average earnings are shown in Table 3. As stated above, this is the most meaningful indicator of immigrants' labour market performance. Interestingly, in spite of the very ambitious package of immigration reforms heroically introduced by the Conservative Government in the face of bitter opposition from advocates of mass immigration, the improvement in average earnings is exceedingly modest only rising to \$24,883 in 2010 from \$23,328 in 2006. This left the average earnings at 63.2 per cent of overall average earnings in 2010, up only slightly from 61.1 per cent in 2006 (Table 4). A gap in earnings of this magnitude is large enough that it will still produce a growing fiscal burden from immigration and will contribute to rising poverty in rapidly growing immigrant communities. The only consolation that can be drawn from these results is that if the Conservative Government had not acted to tighten requirements under the Federal Skilled Worker Program and had admitted the over a million backlog that it legislated away the gap in earnings would probably have risen substantially.

The performance of Federal Skilled Workers actually improved the most of all the categories shown in Table 3 reflecting the Conservative Government's greater emphasis on employability (except for business class which was a very small category). The performance of the Provincial/Territorial Nominees, principal applicants declined significantly as their numbers increased, but their average earnings remained the highest of all the categories bolstering the overall average. The Conservative Government's difficulty in improving overall performance of recent immigrants can be explained by the fact that, while its efforts to improve performance by tightening criteria for Federal Skilled Workers and rejecting non-eligible refugee claims worked, they were not sufficient to offset the depressing impact on performance of larger numbers of family class immigrants, live-in care givers and dependents, and refugees (including the other humanitarian and compassionate category, which is related to failed refugee claims).

Federal Skilled Workers and Provincial Territorial Nominees are the only categories of workers that earn enough to be able to pay their own way and contribute their share of the government benefits enjoyed by all Canadians (Table 4).

Other categories of immigrants such as family class, live-in caregivers, and refugees, all of which are still growing and experiencing deteriorating relative earnings, will continue to undercut the improved performance of skilled workers and provincial nominees. The poor performance of Family class has particularly large impact in depressing average earnings because of their relatively large numbers (accounting for more than 30 per cent of the total number of persons included in the count in 2010). The parents and grandparents included in family class come to Canada late in their life and usually have very little, if any, earning capacity in Canadian labour markets.

It is very difficult for any Government to reduce the numbers of Family class admitted in the future as established immigrants become citizens and voters and understandably like to help bring in many of their family members. And, once immigrants are admitted and gain citizenship, it is considered by many to be non-Canadian to prevent their families from following. Thus in determining whether it is economically advantageous to admit skilled immigrants who are expected to do well, it is necessary to consider the implications of their admissions for subsequent Family class immigrants who do not do so well in the labour market and will probably require Government assistance. This means that not only should the skilled immigrants be expected to pay their own way and contribute economically, but they must also be able make enough to compensate for their less successful family members who may impose a net fiscal cost on the country.

The Government's failure to eliminate the live-in-caregiver and business immigrant categories as part of its efforts to improve immigrant performance is difficult to understand given the low earnings and/or problems and administrative abuses associated with these two categories of immigrants.

## **Conclusions**

To its credit, the Conservative Government has introduced ambitious reforms in immigration policy since coming to power in January 2006. It sought and obtained legislative authority that gave it the discretion to eliminate a backlog of immigrants admitted under old criteria that were clearly not working. This in my view is its greatest achievement as the admission of such a large number of under-qualified immigrants in a short period of time would have resulted in a substantial deterioration in the performance of recent immigrants and would have entailed exorbitant fiscal costs. It also restructured the Federal Skilled Worker Program to put much greater weight on employability and arranged employment. And it reformed the refugee admission process to try to weed out non-genuine refugees.

Notwithstanding the relatively ambitious reforms introduced, the measured overall performance of recent immigrants has not improved enough to substantially reduce the wide gap that has opened up between average recent immigrant and overall earnings. There are many reasons for this. But the most important is that the Conservative Government has continued to pursue a policy of high mass immigration admitting around 250,000 new immigrants per year right through the 2008-09 recession. Needless to say, it would be unrealistic to expect the Conservative Government's reforms in immigration policy, as desirable as they might be on their own merits, to by themselves produce the desired improvement in immigrant labour market performance as they applied to only a small proportion of immigrants.

The only viable solution to the problem of the growing fiscal burden and rising immigrant poverty is a substantial reduction in the total number of immigrants admitted. But this, of course, is not something that any Canadian Government is yet likely to contemplate as it runs counter to that deeply-held belief that Canada always needs more

and more immigrants no matter how poorly they perform and how great of a fiscal burden they impose. More new immigrants may increase aggregate GDP, but they will decrease the living standards of existing Canadian residents unless they are able to earn at least as much as other Canadians and thereby pay their own way.

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**Table 1**  
**Total Count by Immigrant Admission Category for Recent Immigrants**  
**Landing in Previous Four Years in Number of Persons**

<b>Immigrant Admission Category</b>	<b>2006</b>	<b>2010</b>
Total	628,825	661,745
Family class	189,660	205,110
Business class, principal applicants	9,510	10,350
Business class, spouses and dependents	16,955	19,335
Skilled workers, principal applicants	158,110	131,405
Skilled workers, spouses and dependents	128,285	105,310
Provincial/territorial nominees, principal applicants	6,230	28,280
Provincial/territorial nominees, spouses and dependents	6,735	26,930
Government-assisted refugees	17,535	17,145
Privately sponsored refugees	8,430	10,630
Refugees landed in Canada	44,300	32,895
Refugee dependents	10,820	10,380
Live-in caregivers, principal applicants, spouses and dependents	12,100	29,045
Backlog clearance program	35	0
Other immigrants, humanitarian and compassionate/public policy considerations	20,115	34,915

**Note:** The "recent immigrants" counted in this table are those who were landed in the four previous years to the year stated (i.e. 2006 or 2010). "Recent immigrants" landing in the year stated are not counted as they land at different times during the year and their annual earnings, which are used as an indicator of the success of immigration policies, do not reflect a full year's participation in the labour market.

[Source: Statistics Canada, Tabulations from Longitudinal Immigration Database \(IMDB\),  
http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=0540001&pattern=0540001&csid=.](http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=0540001&pattern=0540001&csid=)

**Table 2****Total Count with Earnings by Immigrant Admission Category for Recent Immigrants Landing in Previous Four Years for Number of Persons with Earned Income**

<b>Immigrant Admission Category</b>	<b>2006</b>	<b>2010</b>
Total	495,310	514,430
Family class	141,565	153,690
Business class, principal applicants	5,880	6,240
Business class, spouses and dependents	8,580	8,360
Skilled workers, principal applicants	145,090	117,180
Skilled workers, spouses and dependents	94,190	73,935
Provincial/territorial nominees, principal applicants	6,175	27,500
Provincial/territorial nominees, spouses and dependents	5,195	20,745
Government-assisted refugees	10,915	9,155
Privately sponsored refugees	6,670	7,630
Refugees landed in Canada	35,580	25,635
Refugee dependents	7,440	7,280
Live-in caregivers, principal applicants, spouses and dependents	12,000	28,465
Backlog clearance program	20	0
Other immigrants, humanitarian and compassionate/public policy considerations	15,980	28,615

**Note:** The "recent immigrants" counted in this table are those who were landed in the four previous years to the year stated (i.e. 2006 or 2010). "Recent immigrants" landing in the year stated are not counted as they land at different times during the year and their annual earnings, which are used as an indicator of the success of immigration policies, do not reflect a full year's participation in the labour market.

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**Table 3****Average Earnings by Immigrant Admission Category for Recent Immigrants Landing in Previous Four Years in 2010 Constant Dollars**

<b>Immigrant Admission Category</b>	<b>2006</b>	<b>2010</b>
Total	\$23,328	\$24,883
Family class	\$19,521	\$19,896
Business class, principal applicants	\$18,032	\$20,768
Business class, spouses and dependents	\$10,559	\$11,228
Skilled workers, principal applicants	\$33,543	\$36,261
Skilled workers, spouses and dependents	\$17,447	\$19,246
Provincial/territorial nominees, principal applicants	\$46,855	\$45,581
Provincial/territorial nominees, spouses and dependents	\$16,765	\$19,415
Government-assisted refugees	\$14,256	\$14,011
Privately sponsored refugees	\$19,435	\$18,900
Refugees landed in Canada	\$19,027	\$20,092
Refugee dependents	\$12,298	\$13,923
Live-in caregivers, principal applicants, spouses and dependents	\$24,895	\$23,378
Backlog clearance program	\$27,648	--
Other immigrants, humanitarian and compassionate/public policy considerations	\$22,177	\$22,251
Information Item: Total Average Annual Earnings from SLID	\$38,200	\$39,400

**Note:** The "recent immigrants" counted in this table are those who were landed in the four previous years to the year stated (i.e. 2006 or 2010). "Recent immigrants" landing in the year stated are not counted as they land at different times during the year and their annual earnings, which are used as an indicator of the success of immigration policies, do not reflect a full year's participation in the labour market.

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**Table 4**  
**Average Earnings by Immigrant Admission Category**  
**for Immigrants Landing in Previous Four Years as**  
**Percentage of Canada-wide Average Earnings (%)**

<b>Immigrant Admission Category</b>	<b>2006</b>	<b>2010</b>
Total	61.1	63.2
Family class	51.1	50.5
Business class, principal applicants	47.2	52.7
Business class, spouses and dependents	27.6	28.5
Skilled workers, principal applicants	87.8	92
Skilled workers, spouses and dependents	45.7	48.8
Provincial/territorial nominees, principal applicants	122.7	115.7
Provincial/territorial nominees, spouses and dependents	43.9	49.3
Government-assisted refugees	37.3	35.6
Privately sponsored refugees	50.9	48
Refugees landed in Canada	49.8	51
Refugee dependents	32.2	35.3
Live-in caregivers, principal applicants, spouses and dependents	65.2	59.3
Backlog clearance program	72.4	--
Other immigrants, humanitarian and compassionate/public policy considerations	58.1	56.5

**Note:** The "recent immigrants" counted in this table are those who were landed in the four previous years to the year stated (i.e. 2006 or 2010). "Recent immigrants" landing in the year stated are not counted as they land at different times during the year and their annual earnings, which are used as an indicator of the success of immigration policies, do not reflect a full year's participation in the labour market.

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