

The Political Economy of Canadian Immigration Debate: A

Crumbling Consensus?

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A latent but potent political issue appears in an unpredictable but persistent pattern across the last nine decades of provincial and national politics. Simply stated, the issue is : Are there more votes in closing or opening the door for immigrants? The Reform party re-introduced the issue in 1994 from the perspective of partially closing the door, but the 1994 version of the Liberals argued the opposite position in their "Red Book" . They thought that their traditional stand -or at least their stand since 1967- lay in both opening the door and maintaining an entry stairway equally steep for all immigrants. Thus, we continue to periodically debate the virtues of the 1976 Immigration Act which was passed under Trudeau's administration approximately twenty years ago.

But Canada's immigration debate has a deeper history.

At the fin du siècle Lord Sifton made immigration a cornerstone of Canada's three prong policy of National Development. In order, the policy consisted of first, tariffs for central Canadian manufacturing, next railroad construction, and finally, but most importantly, providing immigrants to the prairies to till the soil and produce the wheat exports to fuel development. There is vigorous debate amongst historians concerning the contribution of this policy as a mechanism to speed Canadian development (Serelitis, 1993). However, there is no doubt about the size of the historical immigration flows. Between 1903 and 1915, the gross immigration flows rose from 150,000 to a peak of 400,000 in 1913. Moreover, the immigration rate, or the number of immigrants per thousand resident Canadians, was often above 4 percent of the base population - a high rate of admission when compared to today's rate of admission of less than 1 per cent. But immigration

halted between 1930 and 1950 as the twin effects of the Depression followed by WW II curtailed Canadian immigration. After 1950, the immigration rate returned to over 1.0 per cent of the base population with yearly numbers often in excess of 150,000 largely drawn from European source countries. International and internal political pressures arose in the early 1960's to reduce the racist elements of the 1953 Immigration Act, which listed countries by preference. With little national debate, this led to the 1976 Immigration Act which made admission 'color blind' or universalistic and formalized three entry gates: the independent class (i.e. points system); the family reunification group, and refugees.

Under the 1976 Immigration Act, the Minister tables each year a target level for immigration which fluctuates widely, as noted. Then, immigrants enter through one of three doors: the first entry way requires points, the second familial affiliation, and finally the third is based upon humanitarian grounds.

Successive Ministers at first reduced the numbers in the mid 1980's to approximately 80,000 immigrants and later, under Barbara McDougall and then Sergio Marchi, raised the admissions to over 250,000 or 1 per cent of the population by 1994. But except for occasional "white papers" drawn up for elitist discussion, where was the national debate as we altered our policy over this twenty five year period from high level (225,000 in 1967) to low one (84,000 in 1986) and back to a high level (250,000 in 1994)? Moreover, no national debate over the fundamental changes in the size of the entry gateways appeared until 1994.

The shifts in entry gates, the widening of some doorways, and closing of others has been dramatic, and as noted, the absolute numbers have changed even more.

Insert Figures 1, 2 and 3.

Figure 1 Totals

Figure 2 Pie 1967-1980

Figure 3 Pie 1980-1991

These are dramatic changes that have profound impacts on our cities and local economies. However, in most election years-past or even in 1994 - the agreement by the mainstream political parties is excise the immigration question from the political agenda. There are many reasons for this cautious approach;-the ugly specter of racism, the fact that recent immigrants can not vote , and just plain cautionary consensus building. But there is a more fundamental reason. The costs and benefits of immigration are often kept as private and expensive knowledge. To be sure, pro-immigrant arguments are marshaled with vigor by pro-immigrant lobby groups thereby reducing to politicians the cost of acquisition of information which purports to show the benefits of immigration. However, the other side of the equation -the costs of immigration is more difficult to document and few lobby groups collect and provide this information *gratis* to the politician. Why is this so?

First, the economic costs of immigration are difficult to collect since immigration costs are diffuse across the economy and no central lobby group effectively collates the information. It is important to note that Canada's and British Columbia's labour unions have, for the most part, avoided the immigration debate while institutions representing the capitalists in our economy have entered the debate at an early point. Thus, with a few exceptions, the politician or a party is at a loss to compare the costs and benefits of immigration in all input markets in order to gain an understanding of the net benefits.

When the cost of information gathering changes, then the national debate is renewed. The moment that a well defined group of resident Canadians can identify with a particular set of economic costs arising from immigration then, the motivation to collect information rises and the cost falls. At this point a general debate will arise under the unique situation where those who bear the costs and those who benefit are both

well defined groups. In the past, when both groups presented their arguments the results have been profound for immigration policy and immigration levels.

The first great wave of Canadian immigration between 1905 to the mid-1920's came to an end by 1930 through political action and fear of the economic costs during the depression. This period of quiescence in both immigration numbers and the immigration debate lasted until the early 1990's when the effects of the amendments to the 1953 Immigration Act and later the 1976 Immigration Act itself were felt. The period of quiescence has ended. We have moved into a new period of xenophobia.

Polls in 1994 reported that over 50 per cent of Canadians now view immigration levels as too high. These respondents feel that immigrants are a burden on the treasury and public services and negatively effect the labour market. Surveys in the 1970's and 1980's also found these fears but not in the numbers reported today. What is unique in today's circumstances ? All parties have joined the debate.

The Reform Party first hoisted the flag by arguing that the public costs of the family class had become too high. In 1994 the official position of the Reform party was to limit immigration intake to 150,000 yearly and allow immigrants to be admitted only through the independent class or 'points system'. Daniel Stoffman's *Pounding at the Gates* became a best seller by partially using economic arguments by formerly obscure economists. Neil Bissoondath's *Selling Illusions* sold well by emphasizing the cultural and political costs of immigration during settlement. Academic tracts on immigration were reported in *The Globe and Mail*. What caused this 'hot button' to emerge and be pushed? I and others would argue that the long-standing model of immigration politics tilted out of equilibrium.

In a liberal democracy such as Canada, the following paradox persists. Even though the majority of respondents answer yes to the question: 'Are there too many immigrant arrivals each year?' immigrant numbers continue to rise until a critical set of economic costs appear. What are these costs?

Loss of jobs and declining or stagnant wages form the core of the critical costs. These costs of immigration have always existed to a limited extent. However, when these costs become concentrated by city or skill level and borne by a relative few then the first condition for a national debate is met. The second necessary ingredient to raise the level of the debate is less obvious: the decline of benefits to Canadian- born residents from immigration must also be substantial. The combination of rising costs borne by a relative few and a lowering of benefits to resident Canadians fractures the political consensus to keep immigration off the political debating platforms.

The geographical concentration of immigrants to Vancouver, Toronto, Montreal and smaller Canadian cities make the distribution issue visible. It is not only a question of public finance- taxes versus use of public services- which drives the debate, rather it is the effects of immigration in these individual cities' labour markets which become crucial. These labour market effects arise in two forms- unemployment and wage redistribution. Simply stated; if immigrants depress unskilled wages, then the shares accruing to either skilled workers with human capital or capitalists will increase. Borjas (1994) terms this net gain to the skilled worker or capitalist that arises from immigrants entering the labour market as the immigration surplus. In other words, immigrants will depress wages if they substitute for the native-born in the labour force. If human and physical capital is a complementary input, then the share of income going to capital rises. If the gain to capitalists and skilled workers is large or the loss to unskilled workers is small then there is a muted immigration debate.

What are the facts on Canada's unskilled wage suppression and immigration levels ? When you estimate the relationship between the percentage of foreign-born in an industry and the effect on Canadian-born wages then in 23 industries the wages actually rise while in eight of Canada's 51 major industries immigration is associated with declining Canadian-born worker wages. When you couple the eight industries which have

experienced wage compression with earlier estimates of job displacement by immigrants in 39 industries nationwide (Akbari and DeVoretz, 1992), a coalition now emerges in the labour market to debate the issue of immigration. In short, workers in selected industries are losing jobs and suffering wage compression from immigration.

It must be carefully noted that most of this labour market turmoil from immigration exists in central Canada and hence the heightened negative debate in that region.

Now, even though it is relatively easy to document that on average the representative foreign-born family contributes more to the treasury than it uses in services the argument, this public finance argument is no longer persuasive. At least in central Canada. There, jobs and wage compression by the foreign-born far outweigh concerns over the public purse.

The Canadian debate should not be directed at halting immigration just because central Canada has an anti-immigrant coalition forming in its labour market. Rather nation wide Canada should emulate British Columbia and alter its immigrant mix (DeVoretz, 1995) to restore the immigration surplus. You accomplish this by reinstating a balance with at least 50 % of the immigrant inflow being evaluated under the 'point system'. The debate then subsides as the following diagram emerges with job growth and wage increases.

Figure 4 Growth Rates in Demand

Thank you for your attention and I now invite questions. Additional Readings:

G. Borjas, "Economic Benefits from Immigration", NBER Working Paper #4955 Dec. 1994.

D.J. DeVoretz, *Diminishing Returns: The Economics of Canada's Recent Immigration Policy*, Feb. 1995
Laurier Institution and C.D. Howe Institute.

G.P. Freeman, "Models of Immigration Politics in Liberal Democratic States", *International Migration Review*, Vol. 29, Winter 1995 pp.881-902.