



Research on Immigration and Integration in the Metropolis

Working Paper Series

No: 96-04

The Economic Goals of Canada's Immigration Policy, Past and Present

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July 1996

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The Vancouver Centre is funded by grants from the Social Sciences and Humanities Research Council of Canada, Citizenship & Immigration Canada, Simon Fraser University, the University of British Columbia and the University of Victoria. We also wish to acknowledge the financial support of the Metropolis partner agencies:

- Health Canada
- Human Resources Development Canada
- Department of Canadian Heritage
- Department of the Solicitor General of Canada
- Status of Women Canada
- Canada Mortgage and Housing Corporation
- Correctional Service of Canada
- Immigration & Refugee Board

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The Economic Goals of Canada's Immigration Policy, Past and Present

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We would like to thank participants at a brown bag lunch at the British Columbia Centre for Excellence on Immigration. David Green gratefully acknowledges support from an SSHRC research grant.

The Economic Goals of Canada's Immigration Policy, Past and Present

Immigration policy in Canada is a complex entity consisting of an interconnected set of guidelines, regulations and actions by government agents. It is often difficult to determine what the main goal of the policy is, especially since so much of it is set out of the public eye. In this paper, we examine the historical development of key institutional features of Canada's immigration policy and how they have been used in order to provide a basis for interpreting recent policy changes. We divide Canada's history into a series of sub-periods, each defined by a specific goal for immigration policy. For each period, we discuss the emergence or disappearance of key institutional features of immigration policy as well as how the regulatory system was used to meet particular goals. Based on this exercise, we find that Canada's policy has been defined by a large amount of flexibility arising from the fact that specific regulations, and policy directions more generally, are set through Orders in Council rather than Acts of Parliament. Historically, the government has used that flexibility to generate alternating periods of large inflows targetted at specific economic goals and periods of drastic cutbacks in numbers in economic downturns. This is part of an historic policy of making sure that immigration does not exceed Canada's "absorptive capacity." Canada's policy history has also been defined by an ongoing battle between proponents of using immigration for long term (economic growth and demographic) goals and proponents of using it for short term (current labour market) goals.

Viewed in the context of these institutions and trends, Canada's current immigration policy is dramatically different from historical norms. Specifically, Canada has abandoned the concept of absorptive capacity as traditionally defined. This is signalled most clearly by the failure to cut back the number of immigrants during the labour market difficulties of the 1990s. Current policy appears to be based on the idea that immigration generates economic growth and thus represents a victory for the proponents of the long term view of immigration policy. Unfortunately, the government provides little evidence to support the claim that long term growth benefits offset short term costs in a poor labour market. Questions remain about why the shift in policy has occurred and why current levels of immigration.

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Immigration policy in Canada is a complex entity consisting of an interconnected set of guidelines, regulations and actions by government agents. It is often difficult to determine what the main goal of the policy is, especially since so much of it is set out of the public eye. In this paper, we try to cut through this Gordian knot by starting from the point at which its individual components were first tied. Then by working forward in time, noting when new elements were added and others dropped, we hope to present an understandable picture of what the different components of immigration policy do and why they are important. Further, we can observe how the various components were emphasized or de-emphasized as various policy goals were pursued. With that evidence in hand, we will be in a position to evaluate the current bundle of regulations and directives, and so, hopefully, to untangle the direction in which current immigration policy is moving.

Our aim in this paper is to explore the evolution of immigration policy and then use that as a basis for addressing a series of questions. What is the goal of current immigration policy? How does it relate to past goals and to Canada's long term economic development? Who wins and who loses from this policy? We will not necessarily be able to provide definitive answers to these questions but but hopefully the information in the paper will provide the reader with the basis for forming answers of their own.

We are interested not only in establishing what the main goals of immigration policy have been over time but also in the subtext of who appears to have won and lost in the setting of policy in each period. We assume that there are five major stakeholders in the setting of immigration policy: land owners, owners of capital, labour, the immigrant community, and the government itself. We view the interests of the first three of these groups as best described within the context of an overall

production function in which labour is a complement both to capital and land. Discussions of selecting immigrants based on skills often divide labour into skilled and unskilled groups with the implicit assumption that these groups are also complements. We will assume that demand for Canada's resource output is perfectly elastic and note that domestic markets for industrial goods were protected by significant tariff barriers through much of our policy history.

What are the interests of the first three stakeholders within the context of this model? Landowners are interested in a steady inflow of immigrants to increase the productivity of their factor as well as to bid up its price. Thus, when the West was being opened up just before and after WWI, larger landowners (e.g. the railway companies) as well as established farmers were interested in a steady flow of immigrants to settle on the land or work as farm hands. In the present, since recent arrivals tend to settle in cities, land developers (and home owners) gain from any increase in urban population associated with immigration. The second stakeholder, capital, stands to gain in two ways. First, increased labour inflows add to the supply of urban workers and possibly moderate any increases in nominal wages. Second, until very recently, secondary manufacturers enjoyed substantial import protection. Hence a larger population due to immigration expanded their potential market within the country. Finally, the response of labour as a group is mixed. If all economies of scale have been exhausted then mass immigration would potentially hurt the interests of labour. However, where gains can still be exploited, the import of skilled labour may expand job opportunities for unskilled native workers and hence their incomes. From very early in our history, labour's main opposition to immigration was focussed on employers who sought to bring in foreign labour during periods of high unemployment. Labour also opposed any policy that attempted to secure workers from very low wage countries.

The interests of the other two stakeholders, immigrants and the government, are more complex. Recent immigrants might want to reunite their families but, as labourers, may not want increased competition in the labour market. Thus, they might be in favour of policies that ease the

sponsorship of relatives but not necessarily in favour of larger immigration inflows in their own right. The interests and role of government in setting policy depend entirely on the political economy model one adopts. In approaches such as the median voter model, the government may play a largely passive role, responding to pressure from various interests groups such as farmers or manufacturers or immigrant groups. The government, through its desire to get re-elected, acts as a filter for the more basic interests of the stakeholders described above. Alternatively, bureaucrats and politicians may have an interest in pursuing goals that expand their own power and prestige even if no other stakeholder views those goals as particularly important. The government may then seek a larger economy both as a means preserving independence and to create a more complex society to manage. The bureaucracy might promote an aggressive immigration policy, since it would gain from having to cope with larger inflows.

In what follows, we set out, in chronological order, the evolution of immigration regulations from the earliest years of this century to the present. We divide this long time period into a series of sub-periods. Each shorter period encompasses a single set of goals, and the point at which the goals change defines the start of the next sub-period. Within each period we will discuss what we see as the main goals. We outline, as well, the introduction of new regulations, the disappearance of some, and the persistence of others. Indeed, it is our contention that one cannot fully understand the forces shaping current immigration policy without understanding how immigration policy evolved. In that context, three main elements of immigration policy setting stand out. The first is the flexibility built into the Immigration Act. This is accomplished by defining the Act in very broad terms and in the process assigning extensive powers of control over admissions to Cabinet to be implemented through specific Orders-in-Council. The latter do not need to be brought before the House for debate, and hence before the public for review. The second is, using that flexibility, the government has often said one thing and done another when it comes to immigration policy. The third is an ongoing conflict between short and long term goals of immigration policy. The long term goals focus on

demographic impacts of immigration and, in particular, using immigration to generate population growth and accompanying economies of scale. The short term goals involve micro managing the inflow to use it as an element of current labour market policy. This conflict can also be seen as a trade-off between the quantity and the "quality" of the immigration inflow. These three elements of Canada's immigration policy will emerge repeatedly in the remainder of the paper.

1.0 The History of Immigration Policy

(1.1) 1870-1913

This was the period which, after a slow start during the last decades of the 19th century, saw the settlement of the west, high levels of investment, rapid economic growth and the establishment of a national economy. During these years, and indeed up to 1930, immigration policy was part of a general set of national policies. These included the completion of three transcontinental railways, the imposition of high levels of protection on the import of secondary manufactured goods, and the adoption of a land policy aimed at inducing immigrants to settle in the west. As a set, these policies were meant to tie Canada together into an integrated whole with a strong eastern manufacturing sector selling its wares to an expanding western resource sector. The promotion of immigration was clearly an important element in this development strategy. Faced with large immigration inflows from the United States and overseas starting in 1896, the government was forced to replace the original Act of 1869 with a new Act in 1910. The new Act included a basic approach of focussing on a prospective immigrant's country of origin that was unchanged until a non-discriminatory set of regulations were created in 1962.

The 1910 Act, as has been the case in all subsequent immigration legislation, was written in very broad terms. Section 38, paragraph "c" states:

"The Governor in Council may prohibit for a stated period, or permanently the landing in Canada, or the landing at any specified port of entry in Canada, of

immigrants belonging to any race deemed unsuited to the climate or requirements of Canada, or of immigrants of any specified class, occupation or character."

An Act respecting Immigration (assented to May 4, 1910)

With one paragraph, total control over the level and composition of immigration was delegated to Cabinet. Since the Cabinet can establish regulations through Orders in Council, which are not brought before the House, changes in policy could be made without any public scrutiny.¹ The resulting potential for an abuse of power was viewed as being offset by the flexibility the approach gave to government in controlling admission. Without the need to go to Parliament every time a change in the level or composition seemed appropriate, the government could adjust quickly to short run imperatives (see Timlin, 1960).

There are at least two criticisms that can be raised about this approach to setting immigration policy. First, the system of Orders in Council makes it less costly for interest groups to try to shift policy in directions favourable to themselves. Such groups need only concentrate their time, energy and funds on convincing Cabinet of the validity of their concerns, rather than on Parliament as a whole. Second, by keeping proposed changes out of the public forum, the capacity to debate their impact is thwarted. In part, as we shall see, this made it possible for governments to publicly state one goal for immigration policy but pursue another.

The stated goal of immigration policy up to WWI was to secure farmers, farm workers and female domestics. The search for such workers was to be concentrated in Britain, the United States and Northwestern Europe. The policy met three objectives: 1) it was consistent with the aims of the National Policy; 2) active recruitment accelerated the population growth rate; and 3) it appeased the nativist constituency in Canada. When demand for labour expanded rapidly after turn of the century, the government allowed business and large landowners (e.g., the CPR) to recruit labour throughout Europe (Timlin(1960)). This was an interesting shift in policy that was apparently at odds with the Alien Labour Act of 1897. The latter was intended to limit the inflow of contract labour brought into Canada by the railway companies. In fact, in spite of official goals, the actual distribution of

immigrants was about equally divided among those intending to work in agriculture, manufacturing and the service sector. Moreover, immigrants were destined to all regions of Canada, not just the west (Green and Green(1993)).

This first period of large scale immigration introduced several themes into immigration regulation that were to be repeated throughout the ensuing decades. First, when excess demand for labour increased, the government expanded recruitment beyond traditional source countries. Second, this action was undertaken through Orders in Council without the possibility of public debate. Third, the government stated one thing publicly (they would recruit farm labour in traditional source countries) and did another. Finally, under this policy business and landowners were the winners while Labour, especially unskilled workers, was the potential loser.²

(1.2) 1919-1929

During this decade the official immigration regulatory structure was put in place. The first major change came with the 1919 revisions to the 1910 Immigration Act. These revisions: established a literacy test for all prospective immigrants; expanded the terms of Section 38 of the Act to allow the government, through Order in Council, to limit the number of immigrants admitted in a given period and to refuse admission due to conditions "temporarily existing in Canada"; and added the word "nationality" to that of "race" to define the origin of immigrants. The net effect of these changes was to expand the power of the government over the level, timing and ethnic composition of immigrants. Furthermore, the revisions required every prospective immigrant, apart from those from Britain and the U.S., to have a valid passport and for Continental immigrants also to be visaed prior to embarkation. These regulations set the administrative base which permitted the government to separate prospective immigrants into those from preferred and those from non-preferred countries.

The allocation of countries into one of these two groups was a political decision. Preferred countries included Britain, the United States, the Irish Free State, Newfoundland, Australia, New

Zealand, and South Africa. Admission from these countries was based solely on country of origin. Prospective immigrants from non-preferred countries were admitted under a variety of conditions. Those from Northern and Western Europe were treated as almost equal to those from preferred countries, with the exception that the overseas immigrant agents were instructed to seek immigrants interested in establishing farms or working as farm labour. Immigrants from Eastern and Southern Europe faced stricter regulations. Immigrants from other regions were admitted only if they were sponsored, where the sponsor was a relative already legally admitted to Canada. Sponsorship in this case was limited to husband or wife and unmarried children, parents and unmarried brother and sister. Between 1919 and 1923 the division of countries between these two broad groups was decided by the Minister of the Department of Immigration and Colonization. With the passage of Order in Council PC 183 in 1923, the list of preferred and non-preferred countries was formally defined. Admission based on country of origin formed the core of immigration policy from the 1920s until the early 1960s.

Even though the regulations underwent dramatic change after WWI, the goal of securing farmers, farm labour and domestic workers remained intact until the onset of the Depression. The division of the world between preferred and non-preferred countries, even allowing for the inclusion of prospective immigrants from Northwestern Europe, ultimately constrained the search for agriculturists. This policy came under pressure in the 1920s when the supply of farmers from the United States dried up and competition for British emigrants increased. Further, although the early years of the decade saw a disruption in the market for wheat, by 1924 this had changed and demand for Canadian wheat increased sharply and continued strong until 1929.

In light of these changes, the government entered into two agreements with Britain. One was the Empire Settlement Act of 1922, which subsidized travel costs of immigrants willing to settle on farms, and the other was the Three Thousand Family Scheme (1924), which both subsidized fares and provided a loan to assist with farm set up costs. Neither plan was a great success. The Empire

Settlement Act did not get underway until 1926, while the Three Thousand Family Scheme only attracted about 1500 families by the time it was terminated in 1929.

The government also sought to bolster the farm inflow through the Railways Agreement of 1925. This was a contractual arrangement between the federal government and two major rail lines, the CPR and the CNR, to "recruit, transport, and place in Canada agricultural families, farm labourers and domestic servants". Under the terms of this agreement representatives of these two companies were to search for farm workers in Central and Eastern Europe. The railway companies stood to gain from the agreement through the revenue they received from the sale of steamer and rail tickets sold to the prospective immigrants recruited by their overseas agents. Also, both rail companies had extensive lands in the west which they offered for sale to farmers, and they held mortgages on lands where farmers needed help. Finally, the companies stood to gain from the freight revenue earned on carrying wheat produced on these farms. Recent work (Green, 1994), suggests that this policy of steering immigrants to the west was highly successful. By the end of the decade almost 70% of all immigrants landing in Canada stated that their intended destination was to the west and the majority of these stated that their intended occupation was farming.

We have in the Railway Agreement further evidence of the government saying one thing and doing another. Two years after the world was officially divided into preferred and non-preferred countries, the government was actively recruiting labour in Central and Eastern Europe but now using the private sector to carry out the work. The pressure to widen the search strategy came primarily as a result of the need to meet a short run demand for farm labour that followed the resumption of strong international wheat markets.³ The Agreement also shows how political influence can be brought to bear on the formation of immigration policy (Green, 1996). By the early 1920s three provinces (Alberta, Manitoba and Ontario), had elected farmers parties and in 1925 the National Progressive Party (a farmers party with its roots in the west), secured enough seats in the House to form the official opposition. Note that the changes in this period came about through

Orders in Council, not changes in the Act.

Another element of policy that came into formal operation during this decade was the concept of short run absorptive capacity. According to this concept, the ideal rate of absorption depends on the ability of the economy to provide employment for new immigrants at the prevailing nominal wage (see Timlin(1951), p. 8). Hence, in periods of rising unemployment the absorptive capacity for new immigrants declines and the government takes steps to limit the number of arrivals. This policy is reversed as the domestic labour market tightens. Although trade unions opposed mass migration in general, their main opposition, beginning in the 1880s, was with immigrants arriving during periods of high unemployment. To this end, they persuaded the government in 1918 to establish the "Employment Service Council" - a federal body one of whose mandates was to control the level of immigration. This provision was first used in 1921 when the government refused, in the face of rising unemployment, to issued applications to employers wishing to bring in foreign workers. Although it is difficult to assign specific reasons for the government intervention on behalf of labour, the rising tide of strikes that occurred towards the end of the war and culminated with the Winnipeg General Strike of 1919 must have shown the emerging power of organized labour and therefore the need to include its concerns in such issues as the timing of immigration. Whatever the reason, the 1920s witnessed the first active intervention in the selection of immigrants by the government. Steering immigrants to specific sectors and regions was part of the stated government policy from the late 19th century but apparently only became a fact after 1919.

It is difficult to designate a specific winner from the changes in immigration regulations that occurred during this decade. Farmers and large land owners in the west benefitted from the steered immigration that occurred after the middle of the decade. Unskilled urban labour received some aid from the policy of restricting immigration during periods of rising unemployment, but would still face competition from unskilled agricultural labour once it moved off the farm. Business as a whole did not gain directly but would have benefitted from the fact that immigration raised the size of the

population and therefore of the domestic market. The CPR and CNR railways benefitted directly, and probably quite substantially, from the immigration policy put in place in the 1920s.

(1.3) The 1930s and 1940s

After almost six decades of actively recruiting immigrants, the door closed to most newcomers with the passage of Order in Council PC 695 on March 21, 1931, and remained that way until after the end of the Second World War. Figure 1, in which we plot immigration as a percentage of the current population over time, shows that immigration fell to near zero as a percentage of the population of the time.⁴ The Order stated that: "until otherwise ordered, the landing in Canada of immigrants of all classes and occupations is hereby prohibited, except as in hereinafter provided." It is the exceptions, rather than the outright prohibition, that are of interest. Exceptions included: a British subject or a United States citizen with sufficient means to maintain the individual until employment was found; a wife or unmarried child under 18 years of age of a person legally admitted to and resident in Canada who has the means to care for these dependents; and an agriculturalist with sufficient means to farm in Canada. The exceptions applied only if the prospective immigrant's province of destination did not object to these provisions. Finally, this Order did not apply to "any Asiatic race", i.e., no one of this group was to be admitted even if they had relatives resident in Canada (see Green(1976), pp. 18-19). Thus, immigration was closed off from the whole world, with the exception of Britain and the U.S., and with the occupation exception of farmers with capital. Even in these difficult times family reunification was a priority, although this right was narrowly limited to include only immediate family members who would not directly enter the labour force.

The new regulations were a reaction to extreme economic conditions. By 1931 the unemployment rate stood at over 11% and, although the officials of the time did not know how long these conditions would prevail, the situation was such that a policy shift of this order of magnitude seemed justified. Labour benefitted from these moves since employment opportunities were shrinking

and incomes were under strong downward pressure. Farmers and large land owners stood to gain from the admission of immigrants who had sufficient capital buy a farm. It is difficult to judge how business viewed this shut down. In a broad sense more immigrants would have offset declining birth rates and hence have expanded the market for domestically produced goods. Nation building, which had been of key importance to the government from 1870 to 1930, had now turned to preserving the nation in the face of this major depression. Any policy which threatened to exacerbate an already difficult situation threatened the very fabric of the nation state, for example through actions to overthrow existing democratic institutions.

(1.4) 1946-1960

The tone of immigration regulations for the decade and a half following the end of hostilities was set by Mackenzie King's statement before the House in May, 1947. It is worth repeating in some detail since it was a blueprint for government policy on this issue.

The policy of the government is to foster the growth of the population of Canada by the encouragement of immigration. The government will seek legislation, regulation and vigorous administration, to ensure the careful selection and permanent settlement of such numbers of immigrants as can advantageously be absorbed in our national economy.... With regard to the selection of immigrants, much has been said about discrimination. I wish to make it quite clear that Canada is perfectly within her rights in selecting the persons whom we regard as desirable future citizens. It is not a "fundamental human right" of any alien to enter Canada. It is a privilege. It is a matter of domestic policy... There will, I am sure, be general agreement with the view that the people of Canada do not wish, as a result of mass immigration, to make a fundamental alteration in the character of our population. Large-scale immigration from the Orient would change the fundamental composition of the Canadian population. Any considerable Oriental immigration would, moreover, be certain to give rise to social and economic problems of a character that might lead to serious difficulties in the field of international relations.

(Quoted in Green, 1976, p. 21)

The statement has six main components. First, immigration was to be used to promote population

growth: Canada was seen as an under-populated country. Second, immigration would aid economic development by improving the standard of living of the extant population. This would operate by enlarging the domestic market, i.e., by promoting economies of scale. Third, immigration was to be selective. Fourth, immigration was to be related to the absorptive capacity of the economy. Fifth, immigration was to be a matter of domestic policy, i.e., national concerns were paramount. Sixth, immigration should not change the basic character of the Canadian population, meaning that restrictions on Asian immigration must remain in place. (see, Hawkins(1972), pp 91-95).

The statement, as well, is noteworthy for its exceptions. There is no mention of provincial concerns and no mention of the particular problems faced by Quebec. It also offered no specifics on how this policy would actually be implemented, such as from which countries would immigrants be sought; what types of immigrants would Canada attempt to recruit and what levels of admission seemed reasonable. In brief, it followed the great tradition of leaving all the difficult and important questions for the government of the day to manage via Order in Council directives out of the public eye. Debate on the specifics of immigration policy was not to be encouraged.

King's statement contained a potential tension between the main goals of immigration policy. It encompassed the long run benefits (i.e., population growth and economic development), while reaffirming the government's commitment to the concept of adjusting the annual flow to match short run labour market conditions. As in the 1920s, no real tension existed in the immediate postwar period because the desired immigrant was essentially unskilled. The policy at that time was dominated by high demand for labourers in the booming resource sector, particularly in forestry and mining. This, coupled with a constrained rate of inflow of native born entry level workers as a result of the low birth rates of two decades earlier implied a need for increased immigration flows. Canada was still seen by many as an essentially unfilled country that needed more people to realize its full potential (Hawkins(1972)).

The new policy direction was set through a series of six Orders-in-Council. Two of these

Orders (PC 371 and 1734) widened sponsorship rights, while PC 1329 suspended the provision that severely limited the class of workers who could enter as contract labour. PC 2180 allowed for the admission of Polish war veterans, Dutch farm families and set up the procedures for handling large inflows of Displaced individuals. In 1950, under PC 2856, the immigration search expanded across Europe, though the approach remained quite traditional. Applicants from Northwest Europe could include a broad range of trades, while those from Germany, Austria, Greece and Finland were limited to agriculturists, farm workers, domestics, nurses and nurses' aides. Legal residents from these countries could also sponsor a fairly broad range of relatives that included brothers, sisters, together with husband or wife, unmarried children, and dependents. Nationals from Italy were limited to those entering under special orders and close relatives of Canadian residents. Prospective immigrants from the rest of the world mainly were limited to close relatives of Canadian citizens. In 1956, under PC 785, the admissible classes were further widened so that prospective immigrants from virtually all regions of Europe were eligible if they met the labour market needs defined by the Department of Citizenship and Immigration. In addition, the sponsorship rights established under PC 2856 for immigrants from Northwestern Europe were extended to all European immigrants.

The change in geographic origin under PC 785 was a replay of the pre-WWI and 1920s tension between government statements about preferred source countries and its actual actions. Within a few years of King's 1947 statement that immigration would be focussed on traditional source countries, policy shifted dramatically to extend the admissible classes to cover prospective immigrants from anywhere in Europe, including, for the first time, immigrants from southern Europe. This expansion of immigration towards new sources reflects two of the enduring themes of policy formation: the use of an Order-in-Council, thus excluding public debate; and a situation in which the government said one thing and did another.

The extension of sponsorship rights to landed immigrants from non-traditional sources in Europe created difficulties. The concept of extended families was much different for the new

immigrants than it had been for earlier arrivals, and landed immigrants from southern Europe, and Italy in particular, were much more likely to make use of sponsorship rights than immigrants from traditional source countries. The result was a much more unskilled inflow (Green and Green(1995)).

The inherent conflict between short term (absorptive capacity) and long term (population growth) goals for immigration policy had a direct institutional embodiment in the two departments dealing with immigrants in this period. The Department of Citizenship and Immigration took a longer run view, while the Department of Labour attempted to tie the level of immigration to the business cycle and, moreover, to specific occupational job vacancies. Hawkins(1972) argues that, institutionally, the late 1950s can be seen in terms of a battle between these two departments. From the longer term view of Citizenship and Immigration, a larger, less skilled inflow was not necessarily a troubling outcome.⁵ However, from the point of view of the Department of Labour, it was a disaster, especially coming as it did at a time of rising unemployment. It also coincided with a shift in attitudes away from a need for unskilled and toward skilled immigrants as the government sought to steer the economy away from a resource base and toward a modern manufacturing structure. Under this new view, it was argued that Canada needed skilled workers and needed them immediately. To accommodate longer term requirements for skills, the post-secondary education system was to be expanded but the more immediate needs would have to be met through immigration.⁶

The justification for immigration as a means of filling skill gaps is significant since it recurs many times in the next three decades.⁷ This approach points to an implicit input/output model of the economy in which production virtually ceases if one important factor is missing. The idea of using immigration to prevent that problem is at the heart of the selection system created in the next period we consider. This approach might be seen as an attempt to appeal to a wide group of stakeholders: business would be happy with importing more workers and skills while labour would be mollified by the claim that immigration was only being used as a temporary solution and that in the absence of immigration all other workers would find their wages and employment adversely affected.

One immediate response to the large unskilled inflow created by the expansion of sponsorship rights was an attempt to reverse those rights. In March, 1959, Order in Council PC 310 restricted rights to sponsoring dependents for landed immigrants from Europe. This prompted a strong negative reaction from the immigrant community that made the government back down. In April 1959, PC 310 was revoked. This was some of the first concrete evidence of the burgeoning political power of that community. It also reflects the importance of defining sponsorship rights which remains one of the most contentious of immigration policy issues to this day.

Finally, it is worth noting that the Act was revised in 1952. Although the government stated that the changes were largely of a "housing keeping" nature, one change had wide ranging effects. The act gave the Minister of Citizenship and Immigration and his officials a large degree of discretionary power over who could and who could not be admitted. In fact, the Minister had powers of discretion that permitted him to over rule the decisions of his officers. He had, in effect, total authority over who would be admitted (Hawkins(1972), pp 102-106). One might see this as no more than the logical extension of the provisions of Section 38 of the 1910 Act which turned over broad powers of decision making to Cabinet. Here the government had simply pushed these powers ever further down the line to the administrative level, and hence even further away from public scrutiny. The provision was not without its costs, though. Large numbers of immigrants who lost their right to gain admission appealed directly to the Minister, creating backlogs that were at times quite large.

Labour was probably the loser in this set of early postwar policies. Immigration was focussed on securing workers without reference to individual skills, and it was meant to deliver foreign labour into the resource and construction sectors as well into the expanding manufacturing sector. It would appear, therefore, that the winners were business and land or resource owners. Business also gained from the expansion of domestic markets associated with a larger population.

(1.5) 1960-1973

This was probably the most dynamic period of change in the regulatory environment since the passage of the 1910 Act. In 1960, in response to the large, sponsored, unskilled inflow, the government issued a new set of guidelines for field workers which gave dependents (i.e., spouses, children under age 21, and aged parents) top processing priority. Other sponsored relatives of landed immigrants from European countries other than the UK had to meet some occupational requirements and received lower processing priority. This cut the unskilled component of the inflow drastically (see Green and Green(1995)) and created the enduring rule that dependents get processed first.

In 1962 the Minister of Immigration and Citizenship, Ellen Fairclough stated:

We shall do our best to admit as immigrants individuals and families who are personally suitable and who have the required background and training to become worthwhile citizens. The key to our immigration policy will be the consistent application of proper selection standards designed to bring the best possible settlers to Canada. I am sure all Canadians agree that once these standards are established they should be applied consistently to all who seek admission to this country, except where the admission of the immigrant is based on compassionate grounds or on close relationships.

(Quoted in Green, 1976, p. 37)

It is worth comparing this statement with that of Mackenzie King in 1947. There is no comment in the new statement on the role of immigration in accelerating Canadian population growth or on the relation of immigration to economic development. However, the concept of selection remained firmly in place. In this new approach selection was shifted from the country of origin of the prospective immigrant to the individual.

The actual Order that gave rise to these changes was adopted as P.C. 86 (Jan. 18, 1962). The Order revoked previous regulations, particularly those giving special status to British, French and American citizens and those setting limits on immigrants from Asiatic countries. Henceforth, admission was to be granted to "a person who by reason of his education, training, skills and other special qualifications is likely to establish himself successfully in Canada and who has the means to support himself until he is established , or has come with arrangements for employment or has come

under approved arrangements for establishment in a business, trade or profession or in agriculture." The order also defined two levels of sponsorship: (a) skilled and otherwise qualified persons could be sponsored by a parent, parent-in-law or fiancé(e) in Canada, provided that person is a Canadian citizen and has the means to provide for the newcomer until he is established; and (b) immediate dependents and relatives (defined as mother, father, husband, wife, grandparent, an intended wife or an unmarried minor) could be sponsored by any Canadian citizen or landed immigrant. Sponsorship rights were no longer to differ by country of origin.

The new regulations generated three problems. First, the long standing position limiting the numbers admitted to the absorptive capacity of the economy was not covered under the new rules. Second, the statement on sponsorship rights opened questions on the impact of their universal application on an immigration policy that now focussed on skills. Third, the new policy placed even more discretionary power in the hands of overseas immigration officers. There were no clear guidelines on which types of skills were needed or how the officer was to judge whether the applicant met these skill requirements. As outlined above, these issues reflected the tension between the long run view of immigration policy in the Department of Citizenship and Immigration and the short run view in the Department of Labour. With the amalgamation of these two departments in 1966, the short run view won. The newly created Department of Manpower and Immigration was primarily concerned with linking the level and composition of immigration to the immediate needs of the domestic labour market (see Hawkins(1972), pp. 127-131).

The government was quite aware that making sponsorship rights universal could lead to a much more unskilled inflow. An initial response to this was contained in a 1966 White Paper on immigration which proposed that citizenship be a prerequisite for sponsoring non -dependent relatives. The theory was that the "chain-link" effect inherent in the original proposals would be broken during the five year waiting period for the granting of citizenship. Once again the immigrant community mounted a strong, negative response and were able to get that proposal dropped

(Green(1976),pp.36-42). This left the Department with two problems - excessive concentration of power over admission in the hands of immigration officers, who were given few guidelines, and a set of sponsorship provisions that threatened to undermine the new thrust towards skilled workers.

The solution came in 1967 with the introduction of the point system (Order-in Council October 1, 1967 PC # 1616). The point system provided an objective scale based on education, age, language etc against which applicants for admission could be assessed. It was the first major step to limit the discretionary powers of immigration officers and to provide them with a set of explicit guidelines. These provisions also established a new class of immigrants - nominated relatives. Applicants qualifying under this class were assessed under the point system as were Independents, except they were awarded credits that allowed for easier entry. The intent was to honour the commitment of family reunification but limit the open ended nature of this to immediate family members, while still providing for sponsorship of more distant relatives, and in the process gaining control over the skill level of workers admitted. Close relatives who entered in the family class, and were not assessed under the point system, continued to be given top processing priority. With a total number of immigrants roughly fixed by the size of the budget allocated to processing applications, this meant that assessed immigrants were effectively a residual under the new system. This was not an immediate issue, as the assessed part of the inflow made up over 70% of immigrants in the remainder of this period (Maxim and Wright(1993)). This feature was to become very important, however, when the level of immigration was cut in the recessions ahead.

The very existence of the point system indicates success for those who viewed immigration as an immediate labour market policy. The points assigned to specific occupations were to be kept under constant review and changed as new information on vacancies became available. In fact the changes in point levels assigned to specific occupations were distributed to overseas agents on a quarterly basis (Green and Green, 1995, p.1013). This was the ultimate victory of the belief that immigration policy could be micro-managed. Table 1 provides the distribution of points across

assessed categories in versions of the point system from 1967 to today. In 1967, an applicant needed 50 out of a possible 100 points to be admissible. An applicant could obtain up to 35 points for the combination of occupational demand (the government's assessment of the demand for the individual's 3 digit occupation), specific vocational preparation (the skill level of the individual's occupation) and arranged employment (points awarded if the immigrant had a job waiting that could not be filled by a Canadian). Adding in points awarded if the intended destination in Canada had a labour market shortage, 40% of the possible points were based on assessment of predicted short term success in the applicant's intended occupation and destination. This was balanced by longer term adjustment factors, such as education, implying that the short term point of view had not won an absolute victory. Furthermore, the level of the inflow was expanded by over 10% to 222,876 in 1968, though this may reflect the optimism of the times rather than a deliberate attempt to achieve longer term goals through strong population growth.

The changes in the regulatory system in 1967 were substantial and were to form the framework for immigration policy for the next three decades. Yet, once again, they had been made without revising the Act. Pickersgill (a former Minister of the Department of Citizenship and Immigration), stated that these provisions were " the greatest change in immigration policy since Mackenzie King announced the resumption of immigration in 1947 and they had gone into effect without approval or even debate in Parliament" (quoted in Hawkins, 1972, p. 127). He could have said that these were the greatest changes since the world was divided between preferred and non-preferred countries in 1919. The concept of avoiding public debate over immigration policy had been reaffirmed. The theme of saying one thing and doing another was evident as well. The 1962 announcement of providing a universal system of admission was simply a statement of future intentions. Little provision had been made to expand the number and distribution of overseas officers to make this announcement effective. It was not until the late sixties that the new regulations had any real effect on the geographic composition of arrivals, and even then subsequent changes came

slowly (see, Green and Green, 1995, Table 2, p.1012).

Finally, it is worth emphasizing that the creation of the point system reflects the fact that immigration was and is an economic policy tool in Canada. If immigration were a tool exclusively of demographic policy, nation building or foreign policy (to the extent these could be separated from economic policy) there would be no need to control the skill composition. Indeed, an objective assessment system could complicate policy making in other realms. The lack of a permanent place for refugees in the system indicates, at the very least, that humanitarian goals were not at the forefront.

The focus on skilled workers in the new system was a policy which potentially benefitted both labour and business. Linking immigration to job vacancies was consistent with labour's interests since its first pronouncements on the subject in the late 19th century. By focussing on skills, the effect was potentially to enhance the relative position of unskilled and semi-skilled domestic workers. Business stood to gain as well since recruitment was aimed at exactly the type of workers it needed if a major expansion in manufacturing activity was to be accomplished. Finally, immigrants had gained a new voice in the development of policy. The government learned that lesson when it tried to tamper with sponsorship rights both in 1959 and 1966.

(1.6) 1974-1985

This was a period of big business cycles. Immigration inflows were adjusted accordingly. Immigration fell between 1974 and 1978, rose from 1978 to 1980 and then fell from 1980 to 1986. In many ways the major swings in the level of business activity in this period were the first real test of the efficacy of the new regulations governing admission. In some ways they failed, since immigrants could build up sufficient points based on years of schooling, age and language facility that would meet or exceed the minimum required for admission even though their specific skills might be in excess supply at the time. This failure points to the difficulty of trying to control both the level and the composition of skilled inflow with points assessed for personal characteristics. The government

was forced to use the sledgehammer response of imposing, in 1974, a 10 unit penalty in points assessment if the applicant did not have previously arranged employment. The system, however, was successful in reducing the number of unskilled workers admitted to Canada (Green(1995), Fig. 8, p.59 and Green and Green(1995)).

Although the regulations established in the sixties remained largely in tact during this next period, the government did bring in a new Immigration Act on April 10, 1978. This Act defined the three main goals of immigration policy as follows:

- (1) to facilitate the reunion in Canada of Canadian residents with close family members from abroad;
- (2) to fulfil Canada's legal obligations with respect to refugees and uphold its humanitarian traditions;
- (3) to foster the development of a strong and viable economy in all regions of Canada.

Under these provisions family members and refugees were given top processing priority and Canada was committed to bringing in a substantial number of refugees every year, rather than just in emergency situations. The Act also specified that total immigration levels were to be set annually, after consultation with the provinces. Although the basic priorities for admission were not changed as a result of this new regulations, i.e., the top processing priority went to family reunification, the effect of setting a specific intake of refugees and giving them a high processing priority meant that the share of assessed immigrants was less. In the ensuing years, refugees were to make up 15 to 20% of the annual inflow. The result was a shift away from a policy focussed on economic goals.

One interesting feature of the 1978 Act was that it did not give the Department the power to set limits on the number of immigrants in various components of the inflow. Thus, they could not cut off the number of family members processed in a year because some target had been met for that group. Further, any applicant who obtained more than the cut-off number of points had the right to enter. These features made it more difficult to manage the composition of the inflow and would haunt efforts to control immigration in the years to come.

The problem of adjusting the level of immigration to short run labour market conditions was

handled in two ways. First, the government focussed on applicants with arranged employment or those who could be directed to specific occupations.⁸ Second, the size of the inflow was substantially altered in response to cyclical fluctuations. The largest adjustments occurred in May, 1982 when the government declared that the only independent applicants who could enter were those with arranged employment. At the same time, the government announced substantial cuts in the level of the inflow which were implemented in the following year and remained in place for the following 4 years. These adjustments indicate that short term economic goals still held precedence in this period. At the same time, though, economic goals took a back seat to humanitarian goals.

On paper, at least, the policy path in this period continued to be good for labour since under the assessed category the only immigrants admitted were those with prearranged employment. This was offset, though, by the fact that the assessed component was being squeezed to a smaller and smaller proportion of the total. Business stood to gain both because they could use the pre-arranged employment system to fill specific skill gaps and because of the often sizeable unskilled inflow that could drive down wages. The immigrant community and refugee activist groups won with the strong commitment to family reunification and to bringing in a continuing inflow of refugees with high processing priority.

(1.7) 1986-1993

When the immigration door reopened after the recession of the early 1980s, it did so on a very different basis than when it had been shut. In 1985, the new Conservative government undertook a review of immigration policy, the conclusions from which are evident in a special report to Parliament presented by the Minister in charge of immigration in June of 1985 (Canada(1985a)) and in the Annual Report to Parliament on Future Immigration Levels several months later (Canada(1985b)). A central concern in these reports is that fertility in Canada had fallen below replacement levels, with the implication that the population would begin to decline just after the turn

of the century if immigration was maintained at its current low levels. The reports also reflect a belief that the admissions bar for not having pre-arranged employment should be lifted and the economic component of the inflow should be increased. But, cautions the Annual Report, "the increase in the economic stream must not .. be at the expense of the social and humanitarian streams." (Canada, 1985b) Immigration levels would be increased substantially and restrictions on the economic component would be lifted to try to make sure that component grew with the overall levels, but the assessed inflow was still very much a residual. The new policy represented a victory for those who saw immigration as a long run policy tool. Immigration would be used primarily to bolster population growth and to try to readjust the overall age structure of the population so that there would be enough workers to pay for the baby boomers' pensions and health care.

The outcome of these policy deliberations was a removal of the prerequisite of arranged employment for independent applicants in January 1986. The level of the inflow jumped from 83,402 in 1985 to 99,219 in 1986 and then to 152,098 in 1987. These were the first in a series of increases that eventually led to a level of nearly 250,000 in 1993.

The new policy also saw the expansion of the business component of the inflow. Self employed workers and entrepreneurs, who were expected to establish and run a business in Canada, had a special place within the point system from the start. In January 1986, the government added the investor class, applicants within which gained admission by investing specified amounts in Canadian enterprises. While the business classes have never become more than a very small part of the inflow,⁹ this represents a philosophical shift toward an idea that immigration could be used as a source of capital and as a means of establishing trade links.¹⁰

In 1988 the government moved never married, adult, non-dependent children from the assisted relative class and placed them in the family class. As a result, a new set of potential labour force entrants were given high processing priority with no assessment for skills. As such, it implied both a direct reduction in the skill level of the inflow and a further squeezing out of assessed

immigrants with their lower processing priority. The move was made as a direct response to lobbying by immigrant groups who argued that the former definition of a family was too narrow, particularly in the context of non-European cultures which were making up an increased proportion of the inflow. The move was a clear concession to immigrant groups at the expense of economic goals.¹¹

At the same time as these changes were being implemented, the government undertook a three year Demographic Review to examine the consequences of declining birth rates and their implications for immigration policy. That Review, which was presented in 1989, is of interest because it indicated that immigration policy was not a good tool for meeting the demographic goals set out in the earlier policy statements. In particular, with a fertility rate of 1.7, even gross inflows of 200,000 to 300,000 immigrants per year would lead to an overall population growth path with growth for some period followed by a decline and eventual stabilisation. Setting different immigration levels in the 100,000 to 300,000 range could only determine when the peak point would be attained and what the eventual long run equilibrium population level would be. Levels such as these would not provide continual population growth. Immigration flows larger than that range were probably politically infeasible. Further, again assuming the fertility rate stayed the same, the Review showed that even wild immigration scenarios with large inflows and 50% of the inflow under age 15 would not have a substantial impact on the age structure (Canada, 1989). Immigration was not the solution for a naturally aging population.

The numbers discussed in the Review are, of course, only predictions, including some that go far beyond the observed data. However, the basic results about eventual impacts on population size and age structure hold true under numerous scenarios. If one views immigration as a long run policy then it should be set to attain an optimal equilibrium population level since it could not feasibly provide continual population growth. However, there is no consensus on what an optimal population size would be. With fertility rates below replacement, one could justifiably conclude that positive immigration rates are needed to ensure that Canada's population does not fall below a level that

would simply make it infeasible to operate such a geographically dispersed economy. One might also argue that a certain amount of "new blood" in an economy provides creative benefits. Beyond that, however, no definite level is indicated. The immigration level becomes even more clearly a number to be set purely by the political process, and thus a number subject to the influence of lobbying.

In the early 1990s, the government directed more attention, or at least more rhetoric, toward increasing the importance of the economic component of the inflow.¹² A new five year plan included increased expenditures on language training to speed up integration of immigrants into the economy and increased emphasis on "designated" occupations (Canada(1992)). Beginning in May, 1991, a designated occupations list was formed which contained occupations in short supply in specific provinces. Immigrants who matched this list were given added points and processed on a high priority basis. The government also moved never-married, adult children from the family class back into the assisted relative class in 1992. Most importantly, in that same year the Conservatives introduced a new Immigration Act which was designed to provide greater control over the inflow. The Act gave the Department broad new regulatory powers, including the power to set limits on components of the inflow and turn away applicants once specific numbers had been reached for a particular category. This, potentially, was a move toward increased use of immigration for economic policy. Indeed, the government proposed to use the new Act to reduce the proportion of the inflow who were in the family class from 52% in 1992 to 43% by 1995.

Strangely, a new set of regulations proposed along with the Act did not make use of these powers. While the regulations proposed setting targets for the various components of the inflow, the assessed class was still a residual. The government had given itself the power to set limits on various classes and might have used these powers to limit the family and refugee classes in favour of the economic classes but they did not. They also committed to stable inflows of about 1% of the current population and increased the size of the inflow to nearly 250,000 in 1993 in spite of a persistently poor labour market. This was the first time that a Canadian government had responded to high

unemployment rates by even maintaining, let alone increasing, the size of the inflow.

In general, the policy stance in the early 1990s appears to have been confused. On the one hand, the government gave itself the power to increase the economic component of the inflow and at least stated that they wanted to do so. On the other hand, they did not use the powers and they maintained high levels of immigration even as the country moved into a deep recession. The winners and losers over the whole period are less confused. Labour was the big loser from large inflows over much of which there was little direct control. Business interests and land owners and developers stood to do very well from the large inflows. Finally, the large inflows and the initial reallocation of never-married children into the family class indicates that the concerns of immigrant groups received considerable attention.

(2.0) Summary of Main Trends

We pause at this point to provide a summary of the evolution of the main institutions of immigration policy setting and the main trends in the use of those institutions. This will provide a useful vantage point from which to evaluate current policy. Perhaps the main defining feature of Canadian immigration policy is flexibility. Starting with the 1910 Act, parliament handed over almost unlimited power to Cabinet to decide who and how many could immigrate to Canada. The 1952 Act which replaced it moved the power further away from parliament to the minister in charge of immigration and the immigration officers. The 1992 Act granted the minister and the department even more power, giving them the ability to set limits on numbers of people entering in sub categories of the inflow: the department could now exclude an applicant even if he or she met all official requirements. The clearest embodiment of the flexibility is found in the fact that all major features of the immigrant regulation system were set in place by Order in Council rather than being debated in parliament and being made part of the Act. That flexibility served Canada well in instances where quick reactions were called for, such as the Hungarian refugee crisis in 1956. It also meant

that on several occasions the government said one thing but did another and that debate on immigration policy in this country has been stunted.

Another key feature of Canada's policy, until quite recently, has been its emphasis on absorptive capacity. This was introduced and put into action for the first time in the recession that followed WWI as a response to demands from labour. From that time until 1990, every major increase in unemployment was accompanied by substantial cuts in immigration. It is also the general concept behind trying to target immigrants from specific occupations deemed to be in a state of excess demand.

The decision to divide the world in to preferred and non-preferred countries and to create different admission rules for each was also made at the end of WWI. This division continued until the early 1960's when Canada moved officially to a non-discriminatory policy. One could now see immigration policy as a tool of anti-discriminatory policy as, through the source country distribution of immigrants, the government sends the clear message that individuals from any ethnic background can and do contribute to Canada.

The other main feature of immigration policy that continues to the present is a broad regulatory system set in place in the 1960s. In this system, applicants are divided into classes with different admissions standards and processing priorities for each. Family and refugee class applicants enter based solely on family ties or refugee status while independent applicants must undergo screening under the point system. The creation of a separate refugee class was part of a gradual recognition of Canada's international duties toward refugees which now form a proud part of our immigration policy. Unfortunately, under the system as it existed until 1993, those duties had to be met at the expense of assessed immigrants as the latter group formed a residual in a system with a fixed total inflow and top processing priority to the family and refugee classes.

The way these institutions were used varied greatly over time. Before WWI, immigration was largely a tool of long run economic development, generating inflows of workers to all sectors of the

economy. In the 1920s it met a mixture of short and long term goals with large inflows being targeted very specifically to meeting demand for labour in the western agricultural sector: Canada needed more people but mainly in the west. Immigration was virtually shut down in the 1930's through to the end of WWII. When it was reopened the goals were again mixed: King's 1947 statement indicated a primary emphasis on population growth but there was an attempt to target unskilled labour for the forestry and mining sector. In the 1960s immigration policy shifted sharply toward being used for shorter term labour market goals. In particular, it was used to fill skill gaps in an attempt to steer the industrial structure toward a modern manufacturing base. Finally, in the expansion of immigration in the last five years of the 1980s the policy switched to long term, demographic goals. Thus, Canada's immigration history can be summarized as periods with large inflows targeted at some specific problem, alternating with periods when immigration was cut back drastically in the face of poor domestic labour market conditions. This is reflected in figure 1 where one can see that immigration has a long run central tendency of about 1% of current population (shown as a horizontal line in the figure) but that there is great deal of variation around that mark. The question of interest in the rest of the paper is, what is the goal of immigration policy now? What is the specific economic target governing the size and composition of the current inflow?

(3.0) Current Policy

The Liberals introduced a new policy framework in the 1995 document, Into the 21st Century: A Strategy for Immigration and Citizenship, and began to implement their strategy in regulations introduced in November, 1995. The key elements of the new framework are as follows. Immigration levels are to be maintained at 1% of the population level, though target ranges rather than specific numbers are to be set. Within that rough total, refugee management is to be moved into a separate system with separate resources and goals from the rest of the inflow. There is a clear commitment to achieving approximate equality of the family class and assessed inflows, even if that

means falling short of overall level targets. For instance, Into the 21st Century proposes placing family class applicants other than spouses and dependent children in a separate class and putting numerical limits on that class.

A radically new version of the point system was introduced in the regulations created in November 1995, represented by the last column in Table 1. Under the new system, no points would be assessed for demand in narrowly defined occupations and no points would be awarded based on the skill levels of such occupations. Instead, a list of skilled occupations is created and divided into four categories: professionals, skilled administrators, technical occupations, and trades. Applicants in all categories will be assessed under the same criteria but will have to pass different critical levels to gain admittance. This is an attempt to make sure that technicians and trades workers are not put at a disadvantage by the lower level of education needed for their occupations relative to professionals. The number of applicants admitted in each of the four categories is subject to a numerical limit: the first use of the power granted in the 1993 Act to set limits on components of the inflow. To prevent flooding of occupations not in short supply, a list of occupations in which applicants need arranged employment to enter is also created.

Other changes in the point system include: an increase in the emphasis on education, from 16 to 20% of total possible points (though this is overridden to some extent by lower pass scores for technicians and trade workers); an increase in importance of proficiency in English or French from 15 to 20%; and an increase in points awarded for personal suitability from 10 to 16%. Personal suitability, which is assessed by the visa officer, has also been changed to emphasize flexibility in adjusting to labour market changes by adding factors such as job search skills, resilience, and positive attitudes toward personal growth, development, learning and change.

Finally, proposals are made which are meant to facilitate quicker adaptation into the labour market. For example, the government suggests a national clearinghouse on accreditation be established and that a programme be established to identify occupations where there is a shortage of

labour and which are closely related to the skills of the immigrant. The latter programme is important because it highlights the shift embedded in the new policy. Rather than making admission conditional on there being a labour shortage in the immigrant's intended occupation, the government would bring in skilled workers and then help them to search for a job, possibly in a different but related occupation to their own.

The new programme contains a clear emphasis on the economic component of immigration. Separating the administration of refugees from that of other immigrants and balancing economic and family class immigrants means that assessed immigrants are no longer a residual. The government's willingness to use its powers to limit the size of components of the inflow is of great importance in this regard.

Several facets of the new immigration programme are tailored to the goal of, "ensuring that newcomers to Canada can integrate and contribute to Canada as quickly as possible, without adding to the burden on social programs." (Canada, 1996) There are repeated references in recent policy documents to severe restraints on the fiscal resources available for immigrant settlement. This is the source of new policy proposals which would make immigrants pay for settlement services and make sponsors post bonds out of which any welfare use by the sponsored immigrant in the first 10 years after arrival would be subtracted. It is also a source of the push for more flexible workers since, in the "new" economy where constant change is to be expected, more flexibility will mean less time collecting social security. Most important in this regard is the increased emphasis on language proficiency in the selection process. Immigrants fluent in English or French are argued to enter the labour market more quickly and to be more successful in the long run.

(4.0) The Current Policy in the Context of the Old

How does the new policy fit into the trends and institutions discussed in sections (2) and (3)? In the tradition of flexible policy setting, the main changes have been done through Orders in

Council. While the government undertook consultations before creating the new policy, this is fundamentally different from a full public airing of policy changes in Parliament.¹³ The broad structure of the regulatory system remains the same, with a division into entry classes, each with different sets of admissibility standards. However, the willingness to use the power of setting limits on subcomponents of the inflow is very different from what has gone before and represents a move away from the problems created by competing processing priorities under the old system. Splitting the refugee inflow into a separate component represents a strengthening of the post-1978 move to honour Canada's international refugee obligations.

The current policy seems most similar to the policy of the 1920s and 1950s. In both of those periods the government focussed on long run goals but tried to integrate short term concerns. The current policy, too, proposes to bring in a large inflow but one that, unlike the policy of the late 1980s, places emphasis on careful selection of the economic component. Of course, there is a significant difference from those earlier periods in the fact that the current high levels are occurring in a poor labour market time. Indeed, the new policy breaks with most of Canada's policy history in that it virtually abandons the concept of "absorptive capacity." This is seen in part by the emphasis in the new regulatory system on selecting immigrants with general skills who are expected to adapt flexibly to opportunities in Canada rather than trying to select immigrants with occupations that are not in excess supply in Canada. It is true that management of the four broad skill groups is being proposed, but making sure that there are not too many trades workers in general is very different from making sure that no more pipe fitters immigrate when unemployment rates among pipe fitters become high.

The main evidence that the government has abandoned absorptive capacity as traditionally defined is the maintenance of very high inflows in the face of persistent high unemployment. The level of the inflow has been reduced in recent years, but to no where near the extent one would predict based on earlier responses to bouts of high unemployment. To make this point, we regressed numbers of landed immigrants in each year from 1946 to 1989 on a constant and the detrended

annual unemployment rate lagged by one year.¹⁴ This is meant to show the correlation between immigration and the business cycle over a period in which absorptive capacity appeared to be part of policy decisions. Figure 2 contains a plot of the actual immigration numbers and a fitted line showing predicted immigration levels based on our simple regression. Note that the fitted line from 1990 to 1995 represents a prediction of the average levels that would have been in place over this period if absorptive capacity were still important. The fitted line tracks actual immigration levels quite well before 1990 with the exception of the large spike created by the 1956 Hungarian refugee movement. In contrast there is a large gap between the actual and predicted inflows in the 1990s; while the prediction based on extending the pre-1990 absorptive capacity policy turns down in the 1990s because of rising unemployment rates, the actual immigration levels continued to rise. By 1993 the gap between the actual and predicted levels was 150,000. Even with recent reductions in the immigration level, the difference is approximately 70,000. The gap is a measure of the extent to which both governments in this period have moved away from earlier policies.

The abandonment of absorptive capacity signals a victory of the long term over the short term view of the benefits of immigration; a victory for what Hawkins(1972) called the "true believers". Institutionally, the recreation of a separate Department of Citizenship and Immigration in 1993 can be seen either as the source or a signal of the new power of the true believers. Under the long term point of view, immigration creates long term economic growth and thus, rather than cutting it back during a recession, this spark to new growth should be maintained even during bad times. The victory of this long term view is clearly signalled in the Liberal minister Sergio Marchi's statement accompanying the 1994 Immigration Plan:

"Periodically throughout our history - especially during economic downturns - there have been calls to slam the door shut to immigration. That sentiment, at times, has been translated by governments into restrictive laws and policies. I believe that such sentiments indicate a lack of vision of what this country can become. I believe that if such sentiments had prevailed in the past, Canada would be a much lesser country than now. Canada would not have flourished and progressed if we had locked ourselves into a restrictive mind-set that excluded the

people who have helped make us grow and prosper.... I believe that decisions about immigration should be made from the perspective of a long-term vision for Canada's future." (Canada(1994a))

Thus, the new policy is centred on bringing in a steady, large flow of immigrants. This is the source of the priority given in policy documents to meeting the target level of 1% of the population. The inflow is not to be unregulated, however. Rather, it is to be selected based on the twin objectives of minimizing the impact of immigration on the public purse and bringing in adaptable workers who can help make the Canadian workforce more flexible. Large inflows can generate economic growth, large inflows selected for flexibility and high skill levels can generate even more growth.

If the new and proposed regulations are designed to bring in a large inflow at minimum cost, they are likely to be successful. Bringing in more economic immigrants and making sure they are of a type that will have the least need for settlement services and make the least use of other social programmes fits with this goal. So, too, does asking immigrants to pay for more of their own settlement services. If the goal is to generate an inflow of broadly flexible workers, the system also seems generally appropriate. However, there are at least two significant contradictions to this latter goal in the new policy. The first is a commitment in Into the 21st Century to "provide provinces with the opportunity to choose a number of independent immigrants who meet provincial economic objectives." (Canada(1994b)) Immigrants will be selected to meet specific skill needs in specific regions, as denoted by the provincial governments, with immigrants in this category given high priority. This is a very specific targeting that contradicts the federal government's own statement that filling precise occupational niches are "not always effective in meeting long term needs." (Canada Gazette (1995)). The second is the attempt to make the selection system more favourable to technicians and trades workers. In the 1991 Census, workers with a university education had lower unemployment rates and higher earnings than workers with technical degrees or trade certificates.¹⁵ Why, if we are interested in long term economic success, would we bias our selection system to make it relatively easier for technicians and trades workers to enter? Is there some notion on the part

of the federal government that there is a shortage of workers of this type? If so, why break the rule that we are no longer trying to target short term gaps? If so, why do they not have relatively better unemployment and earnings numbers? If so, do not these types of jobs, where training times are relatively short, seem like prime candidates for re-training current labour force members about whom there is concern?

The current policy seems most similar to the policies of the 1920s and 1950s. In both of those periods the government focussed on long run goals but tried to integrate short term concerns. The current policy, too, proposes to bring in a large inflow but one that, unlike the policy of the late 1980s, places emphasis on careful selection of the economic component. There are, however, two key differences between current policy and that in earlier periods. The first is the high immigration levels during a period of protracted labour market difficulties. The second is that in all earlier periods of high immigration there was a clear reason, apart from any belief in general growth benefits from immigration, for the large inflow: before WWI, in the 1920s and in the 1950s it was to fill empty land and provide labour for developing resources; in the 1960s and, to some extent in the 1970s, it was to increase the skill level of the labour force; and in the late 1980s it was a vain attempt to offset demographic trends. Is there such a goal for the current inflow? Why have we moved away from the time honoured pattern of low inflows in economic downturns and large inflows directed at specific goals in better times?

One possible rationale for a large inflow is that the government believes that Canada needs a more flexible workforce. Since the early 1960s, immigration policy has been based on a view of the economy in which workers stayed in a specific occupation for life and production followed a Leontief production function. In that situation, a shortage of workers of any particular type could not be quickly remedied from the existing labour force and the shortage could severely hamper the productivity of other workers. Immigration then played the important role of filling the gaps and allowing growth to continue. In the 1990s, the underlying economic model appears to be one in

which the production function is more flexible and workers of the right type can adjust in the middle of their working life to meet changes in the labour market. Policy should then be targeted at generating a labour force with the right type of workers: flexible workers with broad skills. The shifts in the point system indicate that the government is seeking immigrants with general skills rather than ones tailored to specific current skill shortages. But other policies are also targeted at changing the workforce. The Department of Human Resources Development, in a News Release concerning the Youth Internship Programme in September, 1994, describes the purpose of its skill related programmes as follows,

"New and updated skills are critical to the global competitiveness of industry. Resulting skills development initiatives help workers grow into new and better jobs, facilitate career development and ensure that industries have the skills they need to meet competitive opportunities." (Canada(1994c))

This is strikingly similar to the justifications for the new immigration policy in Into the 21st Century

"... Canada needs people who are entrepreneurial, literate and able to adjust to a rapidly-changing labour market. ... The proposed changes (in immigration policy) seek to improve the skills, flexibility and diversity of the Canadian workforce responding to Canada's new, emerging economy." (Canada(1994b))

Why, when the government is proposing to spend \$2.7 billion per year on retraining and re-employment programmes for the unemployed through the Employment Insurance Plan, when there is concern over access to jobs for new labour market entrants and when unemployment rates remain persistently near 10%, is the government also trying to alter the labour force through large immigration inflows? Is there a government study showing that the training programmes will not create a flexible, skilled enough workforce on their own and thus that more immigration along these lines is needed? Is the policy based on the belief that appropriately selected immigrants are simply innately better motivated and more flexible than the native born? If so, can we significantly change the character of the labour force using immigration inflows of this size and composition? Maxim and Wright(1993) and Green and Green(1995) show that non-assessed immigrants are generally less

skilled than the assessed and that they may not hold a special advantage in labour market performance relative to the native born. Even with the Liberal's regulation changes, only about 45% of the total inflow will enter in the assessed classes and only about 1/3 of those are actually assessed.

What seems more likely to be true of the current policy is that there is no specific goal beyond the claim that more immigrants generate more growth. If this is true then the question of why a target of 1% of the population has been set becomes even more important. There is nothing in the government's policy statements to indicate why this number has been chosen. As we have seen, 1% is an historical long run average, but in the past that average has been generated from an inflow with a great deal of variability. Interestingly, the 1% target is being interpreted as inflows of about 250,000, which is below 1% of Canada's population and may indicate a politically feasible upper bound. If the 250,000 number is maintained then we return to the conclusions of the Demographic Review: that this level of immigration implies a certain equilibrium population level in the long run, not a continually increasing population.¹⁶ Since we have no idea what an optimal population level for Canada would be, there is no clear reason why current inflows of between 200,000 and 250,000 are appropriate. Moreover, the government's own policy statements do not provide strong support for the claim that immigration generates economic growth. The only direct support provided in Into the 21st Century is the following summary of a 1991 Economic Council study on immigration,

" The Economic Council of Canada's 1991 study concluded that over time immigration raises the per capita income of Canadians, but by a very small amount. Immigration - increasing Canada's population - does not necessarily increase Canada's productivity."
(Canada(1994b))

If immigration cannot generate growth in the level of GDP by generating continuing population growth and the government presents no evidence in support of it generating substantial per capita growth then what is the source of optimistic statements about the economic benefits of immigration? One is left with the impression that the government decided to maintain the status quo in terms of overall numbers, but has mainly its own faith in the benefits of immigration to support that decision.

Regardless of the intended goal, the winners and losers from the new policy are relatively clear. The biggest loser is Labour. Earlier policies that sought to fill occupational gaps tried to ensure that workers did not face direct competition from new immigrants. The current policy brings in workers even if their intended occupation is not in excess demand. There is a concession to workers in that some occupations will be closed unless the applicant has arranged employment, but the spirit of the new regulations are to move away from worrying whether the market for the specific skills of the immigrant is saturated. Finally, the fact that no move has been made to dramatically reduce the inflow in the face of persistently high unemployment rates provides a direct indication of how much Labour has lost power relative to the situations in earlier economic downturns.

Another loser has been immigrants themselves. Under the new policy, immigrant sponsorship rights will be reduced and immigrants will be asked to pay for more of their settlement services. Further, their use of standard social benefits, even up to 10 years after arrival, has been stigmatized. However, maintaining immigration levels above 200,000 means there has been no need for the government to implement proposals for limiting entry of sponsored immigrants, suggesting that immigrant groups are not complete losers in the new policy.

The main winner is business. They get a large inflow of skilled labour who are picked specifically to be flexible: to work in the labour force in a way that means taking take on a significant share of the risk of production. One could also describe the deficit reduction focus of the programme as more in line with a business agenda than that of other groups.

(5.0) Conclusions

In this paper, we have followed the development of Canadian immigration policy from the late 1800s to the present to provide a context for discussing current immigration policy. That exercise highlights several institutional features that have formed the core of Canadian immigration policy in the past. Perhaps most important among these is the flexibility endowed by the fact that the

Immigration Act gives the Department of Citizenship and Immigration very broad powers. Those powers are used through Orders in Council to specify regulations that set out the actual form of immigration policy. Historically, this has meant that immigration policy has not been debated very openly, either in the House of Commons or in public. It has also been the source of an historic propensity for the government to make public statements about the direction of immigration policy and then act in entirely contrary ways. Since the early 1960s, Canada has gradually built up a regulatory system that includes assigning applicants to specific classes defined by family relations and refugee status, creating processing priorities for each of those classes, and assessing the entrants in some of the classes under the point system.

Within the framework of these institutions, immigration has been used to meet a variety of goals. Before WWI, in the 1920s and again in the 1950s, immigration was used to fill open lands and provide labour for developing resource sectors. In the 1960s and 1970s, immigration was used to increase the skill level of the Canadian workforce and fill perceived gaps in the occupational structure. At the outset, this was viewed as a useful goal for immigration because Canada's own educational and training institutions were not fully developed. In the late 1980s, large numbers of immigrants were admitted in an attempt to offset the aging of the native born population. In each of these cases, large immigration inflows were targeted at a specific problem. In between each of these periods there were substantial cut backs in immigration inflows in response to poor domestic labour market conditions. This was an embodiment of the concept of "absorptive capacity" - only accepting a number of immigrants that the Canadian economy could easily absorb.

Throughout Canada's policy history there has been an ongoing battle between those who view immigration primarily as a short term, labour market policy tool and those who believe in its longer term benefits. For the former, immigration can provide specific benefits in the form of workers targeted to identified shortages in the labour market. For the latter, immigration is an engine of long term economic growth.

Current immigration policy breaks from earlier policy trends in a number of ways. As discussed in the paper, it makes better use of powers granted under the Act and so allows the Department to more accurately control the composition of the inflow. Most importantly, though, it signals a clear break from the traditional emphasis on absorptive capacity by continuing to bring in large inflows in the face of poor domestic labour market conditions. This is a victory of the long term over the short term view of economic policy. The new policy also differs from any earlier policy in that it appears to have no specific rationale apart from a belief in general long term benefits of immigration. In all past periods of high inflows, one can identify a specific goal for immigration policy. The current policy appears to have been set by "true believers" who hold firmly to a faith in the long term benefits of high levels of immigration. The trouble with this is that the government has not presented evidence to justify this faith. One might view the positive outlook as resulting from an assessment of the benefits immigration has brought to Canada in the past. But while immigration has brought benefits to Canada throughout our history, it has done so through a pattern of being targeted at specific problems and being cut back in bad times. A radically different direction for immigration policy now appears to have been adopted without concrete support.

After careful consideration we are left with important, unanswered questions. Why has the government decided to abandon a long-established pattern of expansion of inflows with a specific purpose in good times and cutbacks in bad? Why has it decided to maintain high immigration levels in the face of high unemployment? Why has a target of 1% of the population been chosen? Why has the switch to a long term view of the benefits of immigration policy occurred now? Is this a reflection of the loss of power of labour groups in the current political landscape?

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ENDNOTES

1. The government was not even required to publish Orders in Council until the late 1930s.
2. Donald Avery(1995) has presented a similar case for the impact of pre-1930 immigration on unskilled labour. See also M.J. Piva(1979) on the condition of urban workers and Cecilia Danysk(1995) on impacts for rural workers.
- 3 Note the similarity to the government's response to labour shortages in 1913. In that case, too, the government allowed the private sector to search beyond traditional source countries for prospective immigrants.
4. The figure plots the ratio of immigration in a year to the population at the end of the preceding year. The data are from Leacy(1983).
5. There was, however, some concern in Citizenship and Immigration that to get the full economic benefit from and to maintain political support for a large inflow, it ought to have a more skilled composition than was true with the large sponsored inflows of the 1950s (Hawkins(1972)).
6. For a discussion of the new perceived needs of the Canadian economy see the Report of the Special Committee of the Senate on Manpower and Employment (Canada (1961)).
7. In a 1992 policy document the government states, "... our supply of highly-skilled workers is not keeping up with demand. Even though unemployment is relatively high today, hundreds of thousands of jobs go unfilled because there are no qualified applicants to fill them. ... Immigration can benefit the labour market by helping employers fill skilled jobs for which Canadians are not available. This alleviates structural 'bottlenecks' in the supply of skilled workers. (Canada(1992))"
8. The only time the government moved away from this policy was in April 1979 when the government removed the 10 unit penalty for not having arranged employment because Canada was having difficulty meeting skilled worker targets. The penalty was quickly reinstated in September 1979 due to the receipt of a surfeit of applications from skilled workers with more than the critical level of points. Since the Act did not allow limits to be set on any one component of the inflow, this led to a backlog that had to be processed. This incident points both to the inherent trade-off between the size and the skill level of the inflow and to the difficulty of trying to control both with points assessed for personal characteristics.
- 9 In 1994, principal applicants in the combined business classes made up only 3% of all immigrants.
- 10 See Borowski and Nash(1984) for a description and evaluation of business class immigration.
- 11 This event is described in more detail in Burstein, Hardcastle and Parkin(1994).
12. See endnote 7, the quote in which is drawn from the policy document setting out the five year plan.

13 During the 1990s, Canada has brought in 100,000 temporary workers per year, including over 10,000 agricultural workers annually (see the Annual Reports to Parliament). The lack of general knowledge of this flow is a tribute to the extent to which immigration policy is still set out of the public eye.

14 The unemployment variable is created by regressing annual unemployment rates on a constant and a trend. The difference between unemployment rates and the estimated trend is used to predict immigration levels. The variable is designed to capture the relation of immigration levels to the business cycle. The data for both immigration levels and the unemployment rate is from CANSIM. The regression has 43 observations and an R^2 of 0.48.

15. Immigrants with a trade certificate or diploma had an unemployment rate of 14% in the Census reference week compared to an unemployment rate of 7.2% for immigrants with any kind of university degree. Annual wage and salary earnings for 1990 for immigrants with a trade certificate or diploma averaged \$24,296, compared to average annual earnings of \$30,505 for university educated immigrants. These numbers are assembled for immigrants who arrived prior to 1990 to avoid problems with counting annual earnings when the individual was only in Canada for part of the year. (Authors' calculations using the 1991 Census Public Use File).

16 If the 1% rule is actually used then the result would be an eventual decline of Canada's population to zero. This is true since the net addition to population from immigration implied by a 1% gross inflow is not enough to fully offset fertility declines below the level of replacement. Eventually, the population would begin to decline and the 1% rule would imply smaller and smaller immigrant inflows along with it. Realistically, assuming constant fertility rates, the government would eventually abandon a percentage rule and bring in numbers of immigrants sufficient to offset continual population decline. Again, the implication is a return to the conclusions of the Demographic Review.

Figure 1
Immigration as a Percentage of the Current Population
Canada, 1896 – 1995

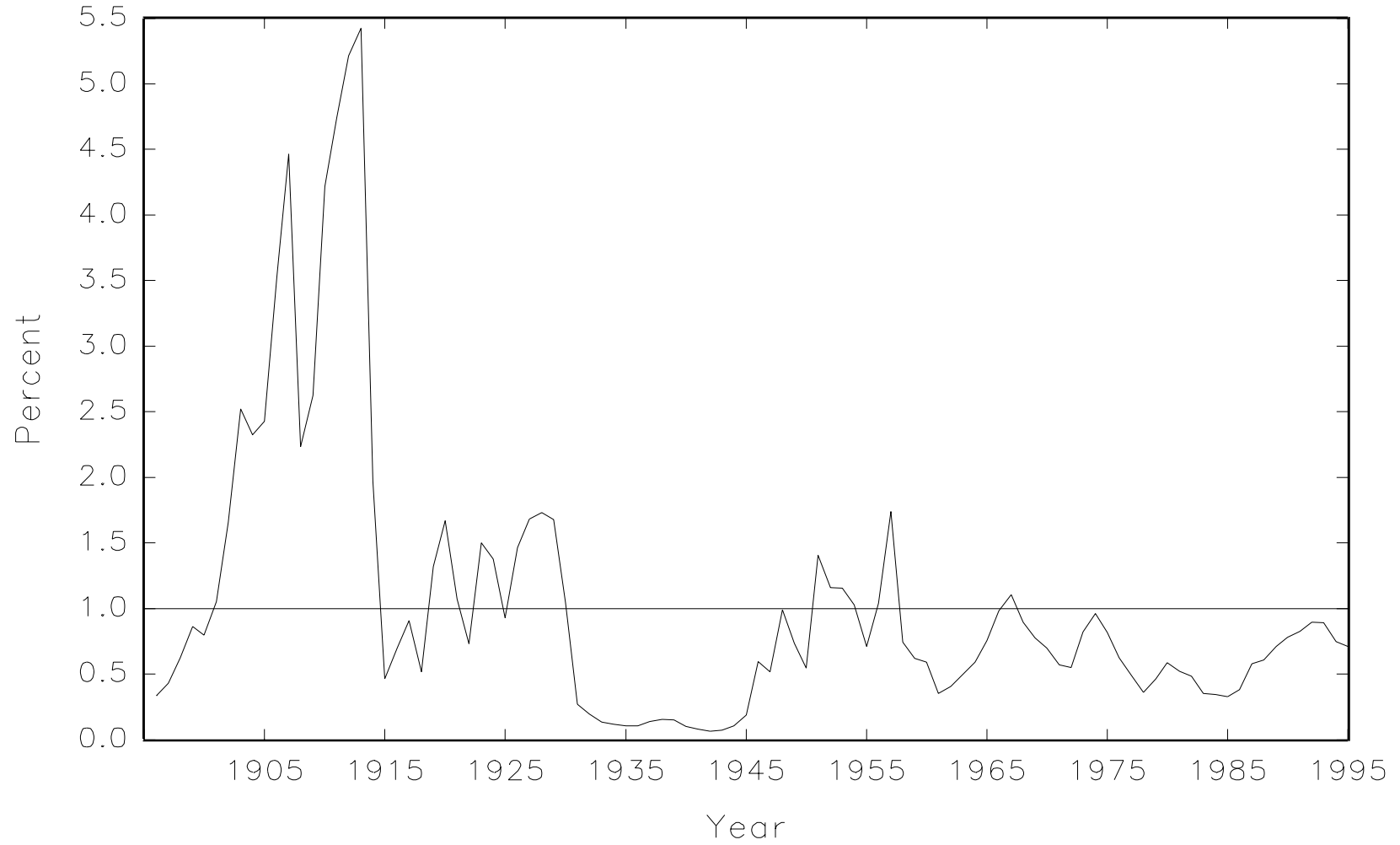
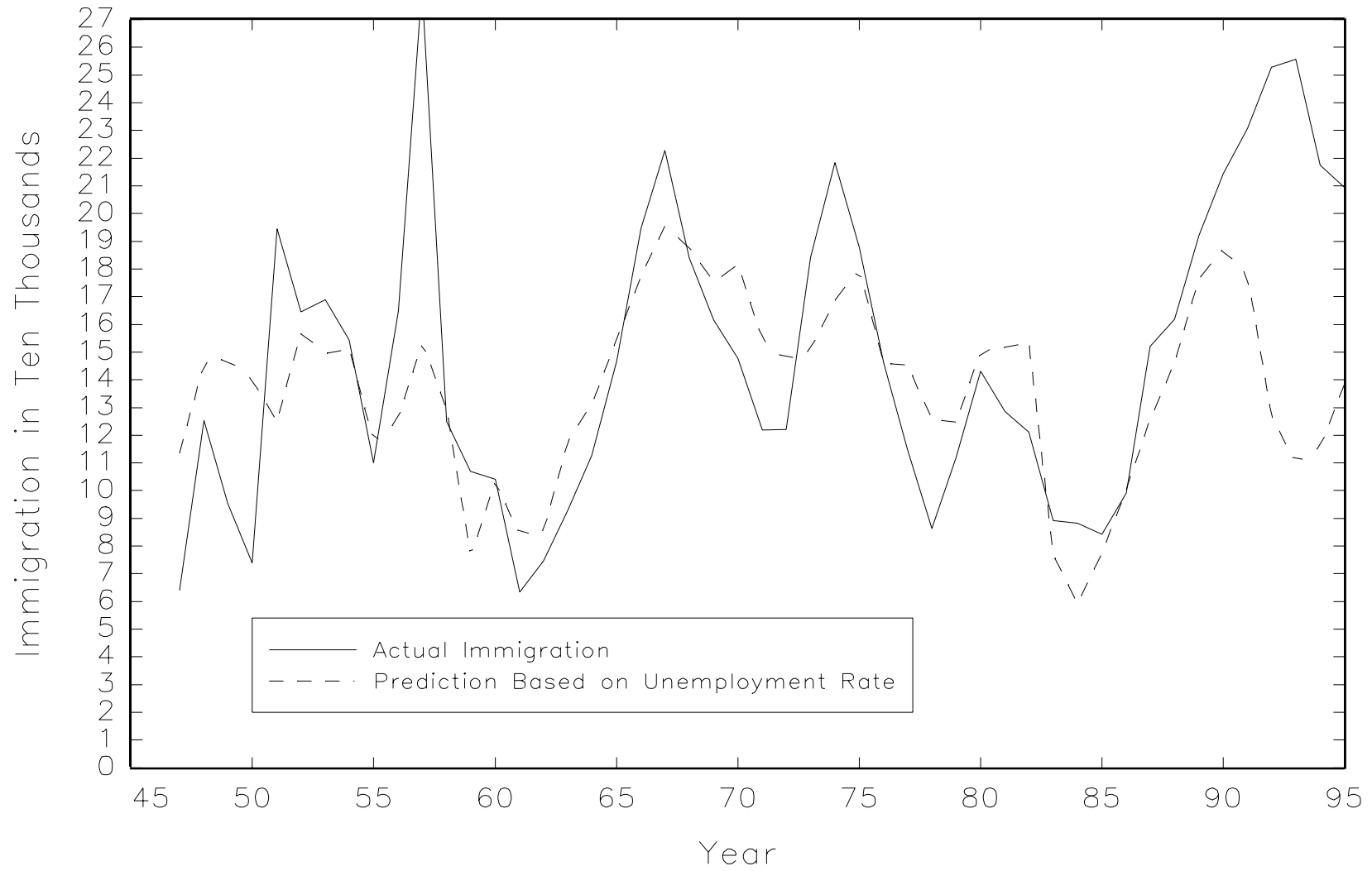


Figure 2
Actual and Predicted Immigration Levels, Canada 1947-95



**Table 1
The Points System Over Time**

<u>Factor</u>	<u>'67</u>	<u>'74</u>	<u>'78</u>	<u>'86</u>	<u>'93</u>	<u>'96</u>
Education	20	20	12	12	15	20
Experience	-	-	8	8	8	9
Specific Vocational Preparation	10	10	15	15	17	-
Occupational Demand	15	15	15	10	10	-
Labour Market Balance	-	-	-	-	-	10
Age	10	10	10	10	10	12
Arranged Employment or Designated Occ.	10	10	10	10	10	4
Language	10	10	10	15	14	20
Personal Suitability	15	15	10	10	10	16
Levels	-	-	-	10	8	-
Relative	0/3/5+	0/3/5+	5	-	-	5
Destination	5	5	5	-	-	-
Total	100	100	100	100	100	100
Pass Mark	50	50	50	70	67	*

Bars on Entry:

1967 - no one category result can be conclusive either way

Feb., 1974 - applicant must either receive at least one unit for occupational demand or get points for arranged employment or designated occupation

Oct., 1974 - 10 points would be deducted unless the applicant showed evidence of arranged employment or was going to a designated occupation. Removed in April 1979 but reimposed in September 1979.

May, 1982 - only applicants with arranged employment are eligible for admission. Removed in January, 1986.

1992 - 0 units for experience is an automatic bar unless the person has arranged employment.

Note: The table shows maximum points possible in each category. Maximum points and Pass Mark have been rescaled in 1993 and 1996 to put the system in terms of points out of 100.

+ Points awarded depend on relationship to sponsor.

* The Pass Mark varies by skill group. The total available points actually equals 74. The pass marks are: professionals, 52; skilled administrator, 52; technical, 47; trades, 45.