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Integration in the Metropolis

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How Much is Too Much?
Speech to Atlantic Metropolis Atlantique

Don J. DeVoretz
Co-Director, RIIM

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How Much is Too Much?

**Speech to Atlantic Metropolis Atlantique
November 6, 2005**

by

Don J. DeVoretz
Co-Director RIIM
Simon Fraser University
devoretz@sfu.ca

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INTRODUCTION

Why would we want 150,000 or 350,000 immigrants to arrive in Canada in any one year? Where do we want these immigrants to come from? Does it matter where they come from? Where do we want them to settle? These are large and complex questions facing Canada as we move into the 21st century.

We are not alone in posing these questions but Canada's unique history, its demographic and social structures and regional schisms including tensions in the Atlantic provinces provide a unique contexts from which to answer these questions.

Bogus Myths

Before I sketch out a reasoned argument for a robust immigration policy in the 21st century I must persuade you to discard some uniquely Canadian myths including McKenzie King's notion that Canada has limited absorptive capacity such that the number of immigrants admitted must be carefully controlled. The concept of Absorptive Capacity haunts us 60 years later as it continues to appear in the Globe and Mail editorials as well as Citizenship and Immigration thinking. In fact we must admit that Absorptive Capacity rests on a racist foundation or faulty economic logic or both. Absorptive Capacity was born as a concept in 1947 to exclude non- western Europeans but in a more modern day context is now aimed at Moslems and others under the guise of failed integration.

This fear of failed integration for some minority groups is not borne out by Canada's history. Many groups: Jews, Chinese, South Asians, and Japanese were subjected to quota restrictions, head taxes, confinement and internment respectively in Canada's recent past under the notion of security interests or fears of improper integration. Of course, historical hindsight has proved these restrictive policy measures based on the concept of Absorptive Capacity both ethically wanting and counter productive.

The second rationale for the doctrine of Absorptive Capacity is economic. In short, the argument is made that immigrants if admitted to Canada at too fast a rate will drain the treasury or take jobs away from Canadians and reduce their wages. There is little scientific evidence to support these claims, certainly not in the long-run. In fact, immigrants in general create as many jobs as they take in Canada and both raise and lower resident wages. As for

contributions to the treasury, test after test demonstrates that the Canada's foreign born population continues on average to contribute more to the treasury than they use in monetized services. But we must be careful to preserve these two features; namely a treasury surplus and a job creating or wage expanding environment as we expand immigration to say 310,000.

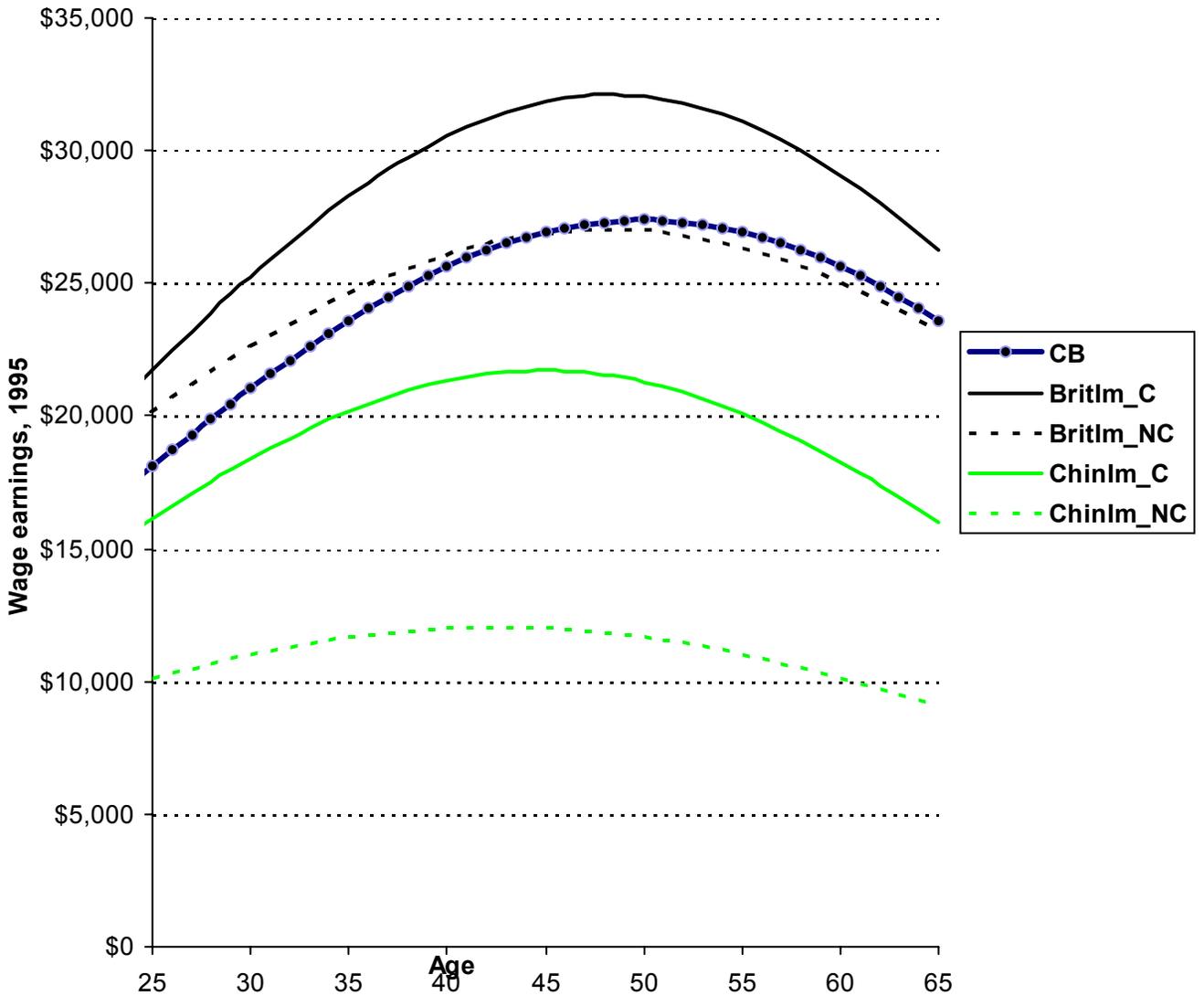
The second myth we must discard is that immigrants come to Canada. Immigrants (until recently) largely came to Vancouver, Toronto and Montreal. This geographical monopoly must be broken if Canada wants to expand (or even maintain) its current immigration levels. This is not just an equity issue which pits the gains from immigration in Toronto, Vancouver and Montreal against the costs of supporting this programme on the rest of Canada. I would argue that the congestion externalities and recent scientific evidence on immigrant earnings convergence by Laryea in Canada's second tier cities argues for market interference to reallocate immigrants through incentives to these second tier cities.

Finally, we must discard our myopic vision of assessing any period's immigration policy and get the "vision thing" correct. The fixation on assessing the first ten to fifteen years of an immigrant's economic integration will always lead to disconcerting conclusions. It has been known since 1978 with Chiswick's analysis that immigrants need time to become citizens, educate and acculturate themselves and the scientific evidence demonstrates that these efforts pay-off.

Citizenship Effect

Let me focus your attention on immigrant citizenship acquisition which is my newest body of research to highlight the importance of this immigration tool in the integration process and to argue why it is important to take the long run view of the economic impact derived from an immigrant's arrival.

Figure 1. Age-earnings profiles for the Canadian Born (CB), British Immigrants Canadian citizens (BritIm_C) and non-citizens of Canada (BritIm_NC), Chinese Immigrants Canadian citizens (ChinIm_C) and non-citizens of Canada (ChinIm_NC)



Source: DeVoretz and Pivnenko (2006)

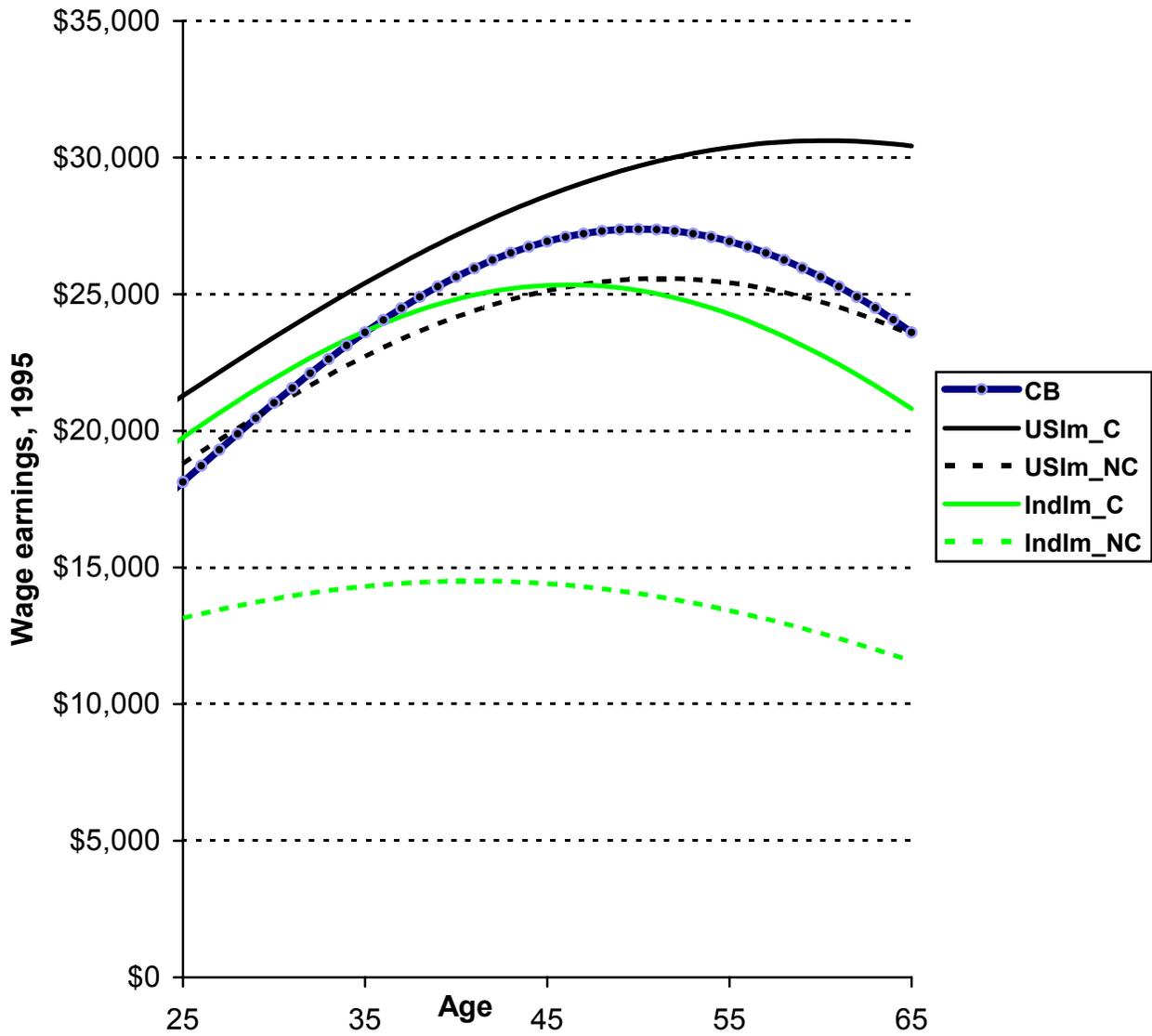
Figures 1 and 2 illustrate the citizenship effect on earnings for pairs (British and Chinese, and United States and Indian) of old and new vintages of Canadian immigrants.

Figure 1 indicates sizable citizenship effects for both the Chinese and the British. However, the citizenship effect on Chinese earnings is larger. The Canadian-born age earnings functions are now reported as a reference point (CB), and further highlight the citizenship effect on earnings. A Chinese immigrant experiences a substantial earnings disadvantage upon arrival, but by becoming a citizen augments his/her earnings such as to nearly equal that of the Canadian-born. The citizenship effect on British immigrant earnings is sufficient to make these immigrants “overachievers”. In other words, without citizenship British immigrants do not suffer an initial earnings disadvantage, and with citizenship experience a substantial earnings advantage.

Figure 2 portrays a similar effect when we pair the earnings performance for the United States and Indian immigrants. Citizenship status grants United States immigrants a slight lifetime earnings premium relative to the Canadian-born. There is once again a substantial boost in the earnings of Indian immigrants from citizenship acquisition, such that Indians nearly overtake the earnings of the Canadian-born at age 45.

Other simulations report a similar pattern of citizenship effects on earnings for German, Italian, Philippine and Vietnamese immigrants. In the first two cases, citizenship status causes immigrants earnings to catch up or overtake the Canadian-born norm. However, for immigrants from the Philippines and Vietnam acquiring Canadian citizenship just brings their earnings performance closer to the Canadian standard.

Figure 2. Age-earnings profiles for the Canadian Born (CB), US Immigrants Canadian citizens (USIm_C) and non-citizens of Canada (USIm_NC), Indian Immigrants Canadian citizens (IndIm_C) and non-citizens of Canada (IndIm_NC)



Source: DeVoretz and Pivnenko (2006)

In sum, under these age-earnings simulations the citizenship effect on age-earnings profiles for the reviewed countries was substantial, with a greater earnings shift for naturalized immigrants from non-OECD countries.

All of this is to illustrate the necessity to looking to the long-run to assess the economic performance of immigrants coupled with well known integration policies such as naturalization. Of course two questions emerge from Figures 1 and 2. First, given these outcomes why do some immigrants not ascend to citizenship given Canada's relatively felicitous citizenship ascension policy? An investigation of the 2001 census indicates that older vintages of immigrants are less apt to become citizens due to lack of dual citizenship provisions or economic incentives. The second question is of course why do citizens do better in the labour market than non-citizens? Is there some transforming event upon naturalization that converts low earning immigrants to high earning ones? The two underlying causes for this post citizenship income transformation when we hold the other obvious co-relates including time in Canada is self-selection and the removal of legal job impediments. An illustration of the latter is federal and private job preferences for citizens which produce barriers to employment for non-citizens. However the second force, namely self-selection dominates the explanation. In other words, those most able to benefit from the inherent economic rewards accumulate more human capital whilst waiting for citizenship than those who choose not to become citizens.

In sum, citizens have greater human capital endowments than non-citizens since they invest in themselves and work longer hours prior to becoming citizens.

Thus, the citizenship effect is a crucial part of the integration process that is overlooked when we take a one to five year time frame to analyze immigrant performance since it takes on average 7.5 years to ascend to citizenship.

Second Generation Effects

What other long-run effects lie out in the horizon which makes me so optimistic about increasing Canada's immigration levels? Recent evidence reported by Statistics Canada (with no real analysis) and preliminary work by Reitz and others indicate that sons and daughters of one immigrant headed households outperform their Canadian born co-hort. However, we must be cautious since it is unclear if this second generation is outperforming the Canadian-

born co-hort because the second generation has accumulated more human capital, works harder or both.

Back to the Future: 1% Benchmarks

There remain some real concerns about expanding immigration over and above dispelling these myths. These valid concerns are geographic externalities, inadequate selection and assessment techniques and an unbalanced entry gate.

The need to encourage immigrants to move beyond Toronto, Montreal and Vancouver is obvious to all except the immigrants. Thus, we must encourage immigrants via practicing triage to encourage them to move to the smaller centres. Triage in this sense would be to identify immigrants who we want to jump to the head of the queue and not have to wait in the 700,000 plus queue. An example of this triage process is the foreign student accelerated entry programme. This programme provides “bridge time” to allow foreign students to work in Canada and apply from within. In a similar fashion we must expand Canada’s temporary immigration programme which would allow us to route economic immigrants to regional labour markets whilst they qualify for permanent status from within Canada after a successful probationary period. Finally, we should assess the entire economic family, spouse plus principal applicant and those economic household’s who earn greater points should be given accelerated temporary admission with full access to public programmes (unlike Grubel’s recommendation) to areas outside of Canada’s three largest cities. This latter policy initiative would help restore a true economic balance to the entire programme which has been lacking in the last decade as only 20 per cent of immigrant admissions were economically assessed prior to arrival in Canada.

Caution and Asymmetry

Immigrants can not be sent back if they fail to successfully integrate into Canadian society. Hence, Canada must err on the side of caution under any expanding programme. After all Canada admitted 50,000 high tech workers in the 1990’s just before the “IT” bubble burst which explains most of the current credentials crisis to any economist. How do we avoid similar problems as we expand to 350,000 immigrants? In short, I would subject all the 100,000 additional immigrants to a probationary period of three to five years. During this

period I would require evidence of employment, adequate language acquisition and residence outside of Canada's three major cities. Most would pass these tests and I would award citizenship (carrot) with family reunification privileges after this three year successful period. For those who failed the tests I would not renew their visas or award family reunification privileges.

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E-mail: riimlib@sfu.ca
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