

**Title:** Fiscal Transfers to Immigrants in Canada

**Authors:** Mohsen Javdani and Krishna Pendakur, Department of Economics, SFU

**Contact:** [pendakur@sfu.ca](mailto:pendakur@sfu.ca)/[mjavdani@sfu.ca](mailto:mjavdani@sfu.ca)

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**Research Question:**

The Fraser Institute recently released a new study (Grady and Grubel 2011) that estimates the fiscal burden created by immigrants arriving in Canada between 1987 and 2004. The central finding of this study is that "in the fiscal year 2005/2006 the immigrants on average received an excess of \$6,051 in benefits over taxes paid". There are a number of errors and inconsistencies in their analysis. This report identifies some of the issues related to internal and external validity and presents a corrected estimate of the fiscal transfer that Grady and Grubel sought to estimate.

**Importance:**

One of the common issues contested by analysts and policymakers is whether immigrants fully pay---in terms of taxes---for the public services they use.

**Research Findings:**

We find a fiscal transfer from Canadian-born residents to immigrants of \$450 per immigrant. This is much smaller than the figure of \$6,051 per immigrant reported by Grady and Grubel.

**Implications:**

There is a fiscal transfer from Canadian-born residents to immigrants. This takes the form of a shortfall in taxes paid by immigrants relative to the services used, after adjusting for the funding of public goods. We find a fiscal transfer in 2005 of \$450 per immigrant from the population of Canadian-born residents to the population of immigrants who arrived in Canada between 1970 and 2004. With more than 4 million immigrants in this group, this represents a fiscal transfer of nearly \$2 billion per year.

Fiscal transfers reflect just one aspect of the contribution of immigrants to the Canadian economy. There are many others, typically much harder to quantify, but that are nonetheless important to our economic life. These include, for example, the effects of immigrants on international trade, the labour market performance of Canadian residents, the variety of goods and services available, and the housing market. Nonetheless, a credible estimate of the fiscal transfer to immigrants is useful to focus policy debate.