UNDERSTANDING ECONOMIC PERFORMANCE OF IMMIGRANTS

ABSTRACT

Canadians tend to assess the merits of immigration, and the desirability of immigrants, rather narrowly, focussing heavily on economic performance. While there are definite short-term costs of immigration related to initial settlement, the long-term demographic and economic outcomes of immigration argue for a wider view.

PETER S. LI

Peter S. Li is Professor of Sociology at the University of Saskatchewan, and author of Destination Canada: Immigration Debates and Issues (Oxford, 2003) and other books.

Canada's immigration act, the most recent of which is the 2001 *Immigration and Refugee Protection Act*, indicates that immigrants are accepted for many reasons. Among the objectives of the act are "to permit Canada to pursue the maximum social, cultural and economic benefits of immigration", "to see that families are reunited in Canada", and "to offer safe haven to persons with a well-founded fear of persecution". By and large, the immigration policy has been framed to admit three types of immigrants in accordance with the legislative objectives: economic immigrants, family-class immigrants, and refugees. For example in 2001, of the 250,346 immigrants admitted, the economic class accounts for 61 per cent, the family class, 27 per cent, and refugees, 11 per cent.

Canada's public discourse of immigration has adopted a narrow approach that ignores the multiple purposes of immigration and assesses the merits of immigration largely in terms of how well immigrants perform economically. The discourse assumes that (1) immigrants should only be admitted because of their ability to enrich Canadians economically; and (2) the surest way to gauge their economic value is to see how immigrants' earnings measure up to those of native-born Canadians. To the extent that immigrants can earn more than the native born, they are deemed to have higher productivity and to contribute more in taxes and economic growth. Conversely, immigrants who earn less than native-born Canadians are seen as undesirable, less productive and more likely to rely on welfare support. This utilitarian mentality reduces the legal categories of immigrants to two normative types: the more desirable "selected" immigrants who meet the selection criteria of education, language capacity, and work experience as economic immigrants, and the less desirable "unsolicited or self-selected" immigrants who are admitted as family members or refugees not screened for human capital.

The assumptions of such discourse are untenable because immigrants' performance should be assessed in accordance with the objectives of their admission. If the objective of admitting the family class is to allow families to reunite, then the efficacy of this stream of immigration should be measured by the ease with which families can reunited in Canada and not by the economic performance of family-class immigrants. Similarly, the success of refugee admissions should be based on how smooth and speedy it is for Canada to offer a safe haven for victims of persecution, and not on how much refugees can enrich Canadians. In addition, the economic class includes not only principal applicants but also dependants who accompany them; strictly speaking, only principal applicants, and to some extent their spouse, have been screened by the selection point system. But all immigrants once landed are routinely compared to native-born Canadians for their economic performance, as though the only factor that matters is how much immigrants can outperform the native born in order to demonstrate their worthiness.

Studies of immigrants' earnings have compared immigrants, irrespective of admission class, to the native born in part because of data limitations, without due attention to the multiple legislative objectives and categories of immigration. But findings from such studies are frequently used as the

only relevant evidence to establish the cost and benefit of immigration.

Ironically, most studies in fact show that immigrants earn as much as and sometimes more than native-born Canadians. However, when differences in education, work experience and other measurable variations are taken into account, immigrant men and women, especially those of visible minority origin, tend to earn less than their native-born counterparts. How such findings can be interpreted is by no means clear. If a fair and competitive labour market is assumed to work properly, then such "net" earnings differentials can be interpreted as reflecting differences in individual productivity. However, if the market is accepted as imperfect in that it rewards people unequally based on such superficial characteristics as gender, race and linguistic accents, then earnings gaps would reflect the price of being a member of a disadvantaged group in Canada. In the immigration discourse, immigrants' earnings are often used as proxies of immigrants' capacities or incapacities but rarely indicators of labour market irregularities.



National Archives of Canada (C137978)

Some recent studies of immigrants' earnings have produced another intriguing finding: more recent immigrants tend to earn less than earlier entrants, relative to the average earnings of Canadian tax payers in respective tax year. The slippage in earnings (measured for example in earnings difference between "skilled immigrants shortly after landing" and "Canadian tax filers") suggests that skilled immigrants who came before 1989 earned more than Canadian tax filers on average, but those who came after 1989 earned less. The finding is taken to mean that the human capital content of recent immigrants has eroded; in response, alarmists push for tighter control of new immigrants to uphold the human capital quality in the interest of Canada. In reality, there can be other explanations. As Professor Jeffrey Reitz of the University of Toronto suggests, new immigrants can in fact have more education than before, but such higher education would appear lower if Canadians' educational level is rising even faster. Furthermore, what these studies do not show is that immigrants, over time, tend to improve their earnings relative to Canadians, and most immigrants catch up and indeed surpass the earnings of the average Canadian tax filer. If indeed even recent immigrants, who unlike their predecessors tend to earn less than Canadians upon landing, still manage to catch up in time, then there must be some latent qualities of immigrants that have not yet been noted. Could such qualities be related to willingness to work long hours, entrepreneurship, tenacity to overcome hardship and determination to do well in Canada? In short, these are precisely the factors that are normally not considered when gauging the value of immigrants.

Besides using earnings, researchers have also attempted to measure the cost and benefit of immigrants in terms of whether they contribute more in taxes than they receive in social benefits. The few available studies indicate that over the course of their life, immigrants contribute taxes that exceed the costs of social assistance and other social benefits they receive through transfer payments. Some studies also show that immigrants rely less on social assistance than native-born Canadians. Thus, as Professor Ather Akbari of St. Mary's University suggests, native-born Canadians can be said to benefit from immigrants in that the savings from immigrants can be considered as a source of public fund transfer to non-immigrants.

There are definite short-term costs of immigration related to initial settlement, but such costs have to be balanced by long-term gains. The undue emphasis on immigrants' short-term economic performance produces a narrow vision that overlooks the long-term demographic and economic outcomes of immigration and ignores how immigrants have also been contributing socially and culturally in the building of a global, diverse and cosmopolitan Canada.