Chapter 5

Is Canadian immigration too high?

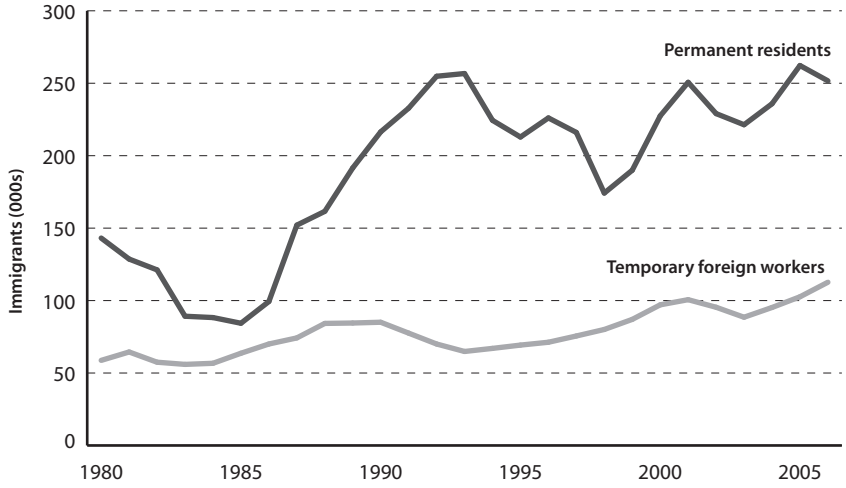
A labor market and productivity perspective

Patrick Grady

Canada's immigration has been continuing at a very high level since the Mulroney government opened the door more widely in the mid-1980s (figure 5.1). Over 250,000 new permanent residents and 113,000 temporary foreign workers were welcomed to Canada in 2006 (Citizenship and Immigration Canada, 2007). Bringing in such a large number of new residents has wide-ranging implications for the Canadian economy, affecting Gross Domestic Product (GDP), real incomes, the labor force, employment, the unemployment rate, and even poverty. Yet there is very little understanding of these impacts and how they affect both existing Canadian residents and the new arrivals.

This chapter presents some of the economic considerations that should underlie Canadian immigration policy and reviews the available data on the performance of recent immigrants against this backdrop. It also offers some observations on the changes to the *Immigration and Refugee Protection Act* (Bill C-11) contained in Bill C-50, the *Budget Implementation Act, 2008*. Finally, it concludes with some suggestions for the conduct of an immigration policy that would be based more on Canada's economic interests and that would establish a lower annual target for immigration more consistent with Canada's absorptive capacity.

Figure 5.1: Immigration of permanent residents and temporary foreign workers (1980–2006)



Source: Citizenship and Immigration Canada, 2007.

Economic considerations

Economic growth

All economists agree that immigration increases the population and thus the GDP of Canada. However, the impact of immigration on per-capita GDP is a matter of much controversy both on theoretical and practical grounds. There is agreement that, in the past when tariffs and trade barriers were much higher than now, immigration was important in increasing the size of the Canadian market and realizing economies of scale, which raised the income of all. However, now with the Free Trade Agreement (FTA) and the North American Free Trade Agreement (NAFTA) and globalization, it is generally agreed that there is no longer any reason to expect economies of scale. In fact, some believe that there could even be diseconomies of scale caused by urban congestion and pollution as are now evident in Toronto. In the economist's simple theoretical world described by the Cobb-Douglas production function without economies of scale and with two factors of production and a homogeneous labor force, immigration does not necessarily increase per-capita income unless it raises productivity. And for immigrants to raise aggregate productivity, they must be more productively employed than existing residents, meaning they must earn higher incomes.

There are also impacts of immigration on the country of origin that need to be taken into consideration in any overall analysis. These include the negative impact of losing some of their most productive citizens and the resulting reductions in output as well as the positive effects of increased land-to-labor and capital-to-labor ratios on per-capita output and incomes, and of remittances. However, these are not the focus of this paper as it deals with the main impact of immigration on Canada.

Productivity

Productivity has become a Canadian obsession. Immigration is said to be necessary to raise Canadian productivity and to enable us to compete internationally. The exact mechanism that produces these benefits is usually not stated other than to say that immigration opens Canada to new ideas and markets.

It must be acknowledged that there are some very prominent entrepreneurs who came to Canada as immigrants and made major contributions to the development of the economy. A partial list of some of the most important would include: Michael Lee-Chin (Chinese-Jamaican); David Azrieli (Iranian); Frank Stronach (Austrian); Arjun Sharma (Indian); Victor Li (Hong Kong Chinese); Hassan Khosrowshahi (Iranian); Terry Mathews (Great Britain); Peter Munk (Czech); and Josef Straus (Austrian).[1] The contributions to productivity made by these extraordinary individuals would certainly go well beyond their own earnings. But, on the other hand, there is a much larger group of recent immigrants who have not done so well and whose contributions can be measured by their earnings. Somewhat ironically, their earnings in Canada are usually higher than the average in their home countries but lower than average in Canada.

Growth accounting is a commonly used approach for estimating the impact on productivity of various factors such as education and the age and sex of those who make up the labor force. It involves using earnings weights to distinguish the effects of the various factors. When applied over the period from 1990 to 2004, it suggests that immigration has lowered productivity by around 1.5% or 0.15% per year (Grady, 2006). While this

1 ◆ Most names on this list come from List of Canadians by Net Worth, *Wikipedia*, <http://en.wikipedia.org/wiki/List_of_Canadians_by_net_worth> (last modified July 9, 2009).

is not very large, it is still significant and runs counter to the claims usually made regarding the productivity-enhancing effect of immigration.

One possible source of the gap between productivity in Canada and the United States is the lower level of capital per capita that results in Canada from immigration at least in the short run. Rao, Tang, and Wang (2003: 31) attributed 12% of the gap between productivity in Canada and the United States to the lower intensity of capital. Since immigration decreases capital intensity at least in the short run by raising labor by a larger percentage than capital, it would be fair to conclude that immigration has contributed to the decrease in productivity through this channel.

Robert Putnam (2007), the Harvard sociologist who made his name studying social capital, has recently been reluctantly forced to come to the conclusion that immigration and diversity are reducing social solidarity and social capital. It is not a long step from this to the conclusion that immigration could undermine productivity. While this type of impact would be very difficult to measure, it could ultimately turn out to be significant.

Competitiveness

Productivity and competitiveness are not the same thing. Low-wage labor can increase competitiveness, even if it lowers aggregate productivity, by complementing more highly skilled labor and lowering costs. Any such benefit in Canada, however, would be largely accidental as the government is not actually seeking to attract low-wage labor through its immigration policy. Rather, it is the result of highly educated immigrants not being able to find high-skilled jobs and being forced to take low-wage employment. Moreover, any potential competitiveness benefits from the existence of potential low-wage labor can be offset by social-welfare programs that discourage work and that must be financed through taxation. Milton Friedman warned that you can't have both free immigration and the Welfare State.

The needs of the labor market

The existing high level of immigration is usually justified on the basis of the needs of the labor market. The implication is that, if these needs are not met, the consequences for the economy will be dire. Employers are always griping about shortages of labor. But you will never hear them

saying anything about the need to raise wages to attract more workers. They seem conveniently to forget that the labor market is a mechanism that has both a price and a quantity dimension. The production process can always make use of more labor if there is a surplus of people willing to work for low wages. An important reason that agriculture in California is so much more labor intensive than European agriculture is the availability of low-wage labor.

An increased foreign supply of various categories of labor will over time tend to depress the domestic supply of the same categories. If large numbers of immigrants are admitted to Canada with certain levels of education and skills, it will make it harder for young Canadians to compete in the labor markets demanding these skills and will discourage them from acquiring the same credentials unless, of course, those of the immigrants are substantially discounted or not recognized, as seems to be increasingly the case in Canada. Engineering and computer science is an example of a profession where in 2000 more immigrants were being allowed in than were graduating from Canadian universities.

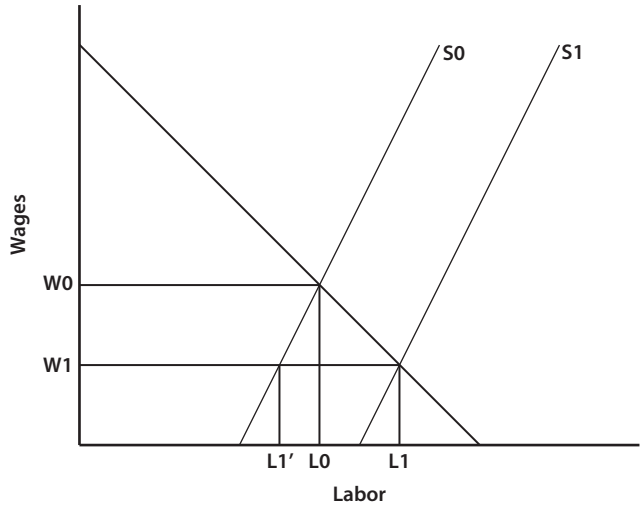
The impact of immigration on the labor market

The impact of immigration on the labor market has many dimensions. It encompasses the labor-force participation rates, employment rates, and unemployment rates of immigrants. It also includes their wages and earnings. And in addition, it includes the indirect effects of increased immigrant labor supply on the labor-market outcomes of the Canadian born.

The impact of immigration can be better understood with the help of the standard textbook partial equilibrium demand-and-supply diagram (figure 5.2). If labor were homogeneous, immigration (of L1–L1′) would raise labor supply from S0 to S1. This would push the wage down from W0 to W1 and reduce the amount of existing resident labor supply from L0 to L1′.

In the real world, the situation is, of course, much more complicated. Immigrant labor is not necessarily the same as resident labor in all respects. It can be more skilled or less, more or less highly educated, and have a different occupational mix. It can also be a substitute for, or complement to, resident labor. And, over time, the demand curve for labor will shift out because of the increased demand for goods and services produced by labor and because of capital investment.

Figure 5.2: Demand and supply in partial equilibrium



There has been much debate in the United States over the impact of immigration on wages. The early studies examined the impact of the geographic clustering of immigrants in local labor markets and found small impacts. Subsequent research by George Borjas, which considered the supply shifts across groups with different educational experience, concluded that wages fall by 3% to 4% for every 10% increase in the number of workers in a particular skill group (Borjas, 2003). David Card, who was responsible for some of the earlier studies, questioned these findings on the basis of his own subsequent research, which showed that the wages of high-school dropouts remained nearly constant relative to high-school graduates since 1980 in spite of increased numbers of immigrants without high-school education (Card, 2005: 25).

The main Canadian study of the impact of immigration on wages was done by Abdurrahman Aydemir and George J. Borjas (2006). It found that a 10% labor-supply shift caused by immigration would result in a 3% to 4% reduction in wages in Canada as well as in the United States. Interestingly, because of the different skill mix of immigrants, migration narrowed wage inequality in Canada (where the immigrants were highly educated) but increased it in the United States (where they were not).

Even though the empirical evidence on the impact of immigration on wages is not definitive, the notion that immigration lowers wages is consistent with economic theory and the textbook view that the demand curve for labor slopes downward.

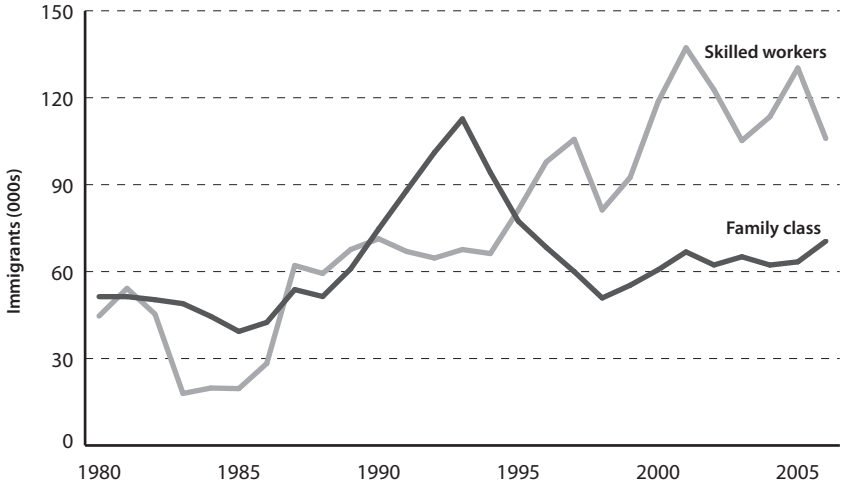
Growing realization that immigration has not been working as in the past

Up until around 1980, the pattern as revealed in the census was that immigrants to Canada started out earning about 80% or so of equivalent Canadian born, but then moved up to and even beyond the average over a 10-to-20-year period. In subsequent years, at the same time as the source countries and other characteristics of immigrants such as language and job experience changed, there was a substantial deterioration in the labor-market performance of immigrants. In 1993, the point system was modified to put more emphasis on education. Selecting immigrants based on their education rather than their specific job skills has been called the "human capital" approach. It can be contrasted with the "occupational needs" approach, which attempts to identify occupational classes where workers are in short supply and to admit immigrants in these classes.

In order to improve the labor-market performance of new immigrants, the Skilled Class of immigrants was increased and the Family Class reduced starting in 1994. This move was reinforced in 2002, with more points being awarded for a trade certificate or second degree, and less for experience. The result of these two policy changes was an increase in the Skilled Class relative to the Family Class (figure 5.3) and a dramatic increase in the educational level of immigrants (figure 5.4).

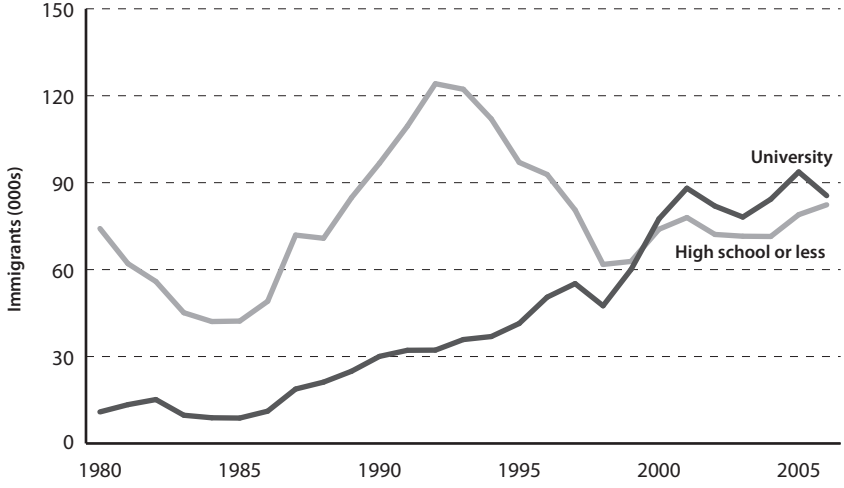
While there has been some improvement since 2001 as the labor market tightened, the employment rate of recent immigrants in 2006 was still substantially lower than for the Canadian born, particularly for women (figure 5, table 5.1). The unemployment rate has come down, especially for recent immigrant men, but was almost twice as high for men and three times as high for women as for the Canadian born. The poor labor-market performance of recent immigrants is greatest for recent immigrants from Africa and to a lesser extent Asia and Latin America (table 5.2). More ominously,

Figure 5.3: Immigration of family class and skilled workers (1980–2006)



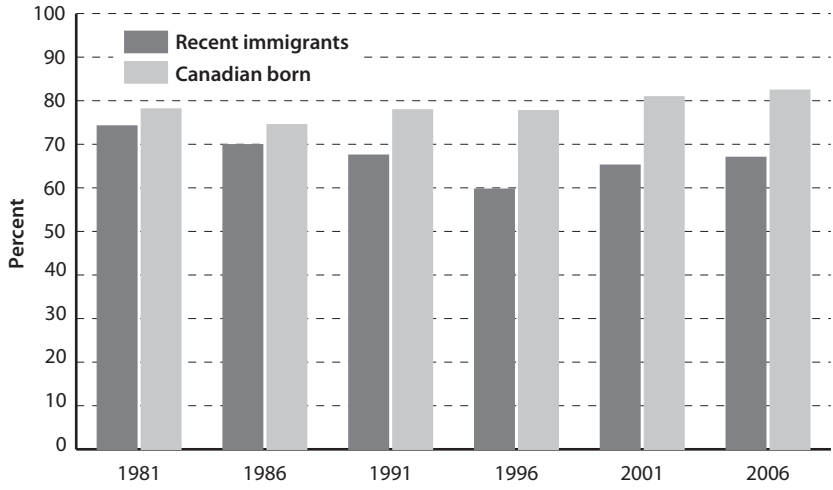
Source: Citizenship and Immigration Canada, 2007.

Figure 5.4: Immigrants, 15+ years of age, by level of education (1980–2006)



Source: Citizenship and Immigration Canada, 2007.

Figure 5.5: Employment rates of recent immigrants and the Canadian-born, ages 25 to 54 years



Source: Statistics Canada, Censuses.

Table 5.1: Employment and unemployment rates (%) of recent immigrants and Canadian born aged 25 to 54 (%)

	Men		Women	
	Employment Rate	Unemployment Rate	Employment Rate	Unemployment Rate
Recent immigrants				
2001	74.5	11.4	53.2	15.7
2006	78.6	9.3	56.8	14.3
Canadian born				
2001	85.7	6.3	76.3	5.7
2006	86.3	5.2	78.5	5.0

Source: Statistics Canada, 2008a: 30.

Table 5.2: Employment and unemployment rates (%) of very recent immigrants aged 25 to 54, by place of origin, 2006

	Men		Women	
	Employment Rate	Unemployment Rate	Employment Rate	Unemployment Rate
Europe	84.5	6.5	63.6	10.6
Latin America	78.8	8.7	55.3	13
Africa	65.7	19.8	43.1	21.9
Asia	77.6	9.8	52.2	12.8

Source: Gilmore, 2008b: 34–37.

any downturn in the labor market resulting from the current economic slowdown is likely to affect recent immigrants from the source countries with the poorest performance disproportionately.

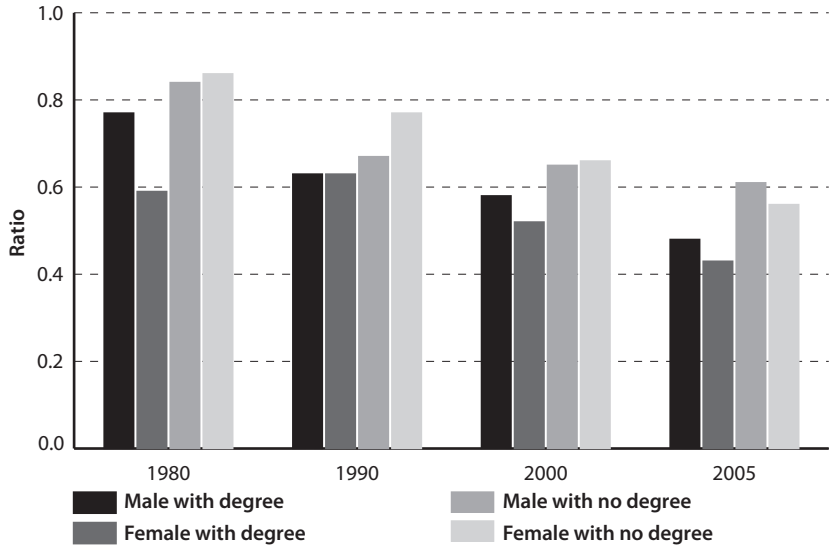
In recent years, in spite of the changes in immigration policy introduced by the government, the earnings of recent immigrants have continued to deteriorate relative to those of equivalent Canadian-born workers (figure 5.6). In 2005, recent immigrant men only earned $30,332 if they had a university degree and $24,470 if they did not (table 5.3). Recent immigrant women only earned $18,969 with a degree and $14,233 without. The gap is greatest for those with a university degree where recent immigrants earn less than half that earned by the Canadian born (table 5.4). And the deterioration was largest for women with no degree and men with a university degree. Most troubling of all is the downtrend in the relative performance of recent immigrants, which shows no signs of abating even as the labor market tightened.

Table 5.3: Median earnings, in 2005 constant dollars, of male and female recent immigrant earners aged 25 to 54

	With university degree		With no university degree	
	males	females	males	females
1980	48,541	24,317	36,467	18,548
1990	38,351	25,959	27,301	17,931
2000	35,816	22,511	25,951	16,794
2005	30,332	18,969	24,470	14,233

Source: Statistics Canada, 2008b: 22.

Figure 5.6: Ratio of earnings of immigrants to earnings of the Canadian born, by educational level and sex



Source: Statistics Canada, 2008b: 22.

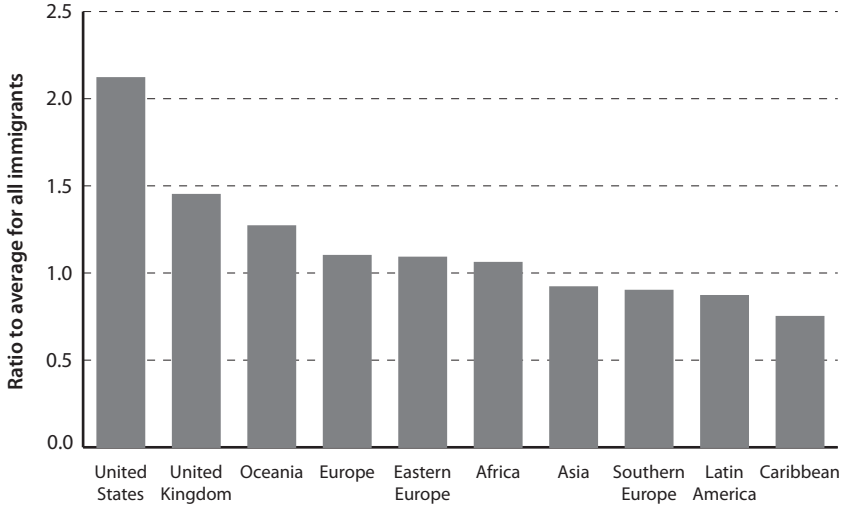
Table 5.4: Ratio between earnings of recent immigrants and of Canadian born

	With university degree		With no university degree	
	males	females	males	females
1980	0.77	0.59	0.84	0.86
1990	0.63	0.63	0.67	0.77
2000	0.58	0.52	0.65	0.66
2005	0.48	0.43	0.61	0.56

Source: Statistics Canada, 2008b: 22.

Recent immigrants from the United States, the United Kingdom, and Oceania (mainly Australia and New Zealand) earned the most (figure 5.7). Immigrants from these countries have the advantage of being native speakers of English and benefit from the relatively high quality of their countries' educational systems and the similar industrial structures of their economies. Recent immigrants from Asia, southeastern Europe, Latin America, and the Caribbean had lower earnings than other recent immigrants.

Figure 5.7: Relative earnings of recently immigrated males aged 25 to 44 who worked all year, full time



Note: Average for all immigrants equals 1.

Source: Statistics Canada, Census 2001; data for 2005 not available at time of writing.

Citizenship and Immigration Canada has attributed the continuing deterioration to the IT Bust

In an effort to avoid the obvious, but politically unpopular, conclusion that Canada is allowing in more immigrants than can be absorbed by the Canadian labor market, officials from Citizenship and Immigration Canada (CIC) have attributed the continuing deterioration in the relative earnings of recent immigrants to the bursting of the high-tech bubble in 2000 (Picot and Hou, 2008: 24). It cannot be denied that CIC cast caution to the wind when it attempted to fill anticipated labor-market needs during the high-tech boom of the late 1990s by admitting a disproportionate number of computer professionals and engineers. In fact, at the peak a third of the skilled immigrants admitted were computer professionals and engineers. And, sure, there was the bust. But it occurred in early 2000. So why was there still a problem in 2005 after the market had improved and engineering and IT salaries had recovered? And IT professionals and engineers are supposed to have a superior knowledge of the computer and information technology and the related skills that have come to occupy a central place in our modern information economy.

Why were they not able to find alternative employment at higher relative wages? This episode reveals the dangers of allowing CIC and Human Resources and Skills Development Canada (HRSDC) to pick professions in demand given the long lags in processing them for the granting of visas. What will be CIC's next big mistake when it attempts to anticipate occupational demand?

Why do immigrants keep coming?

Given that immigrants do not do as well economically as the Canadian born, one might wonder why they so stubbornly keep coming in such large numbers. The answer is quite simple: they do much better here than in their home countries. The *Longitudinal Survey of Immigrants to Canada* conducted in 2003 reported that new immigrants had a high level of satisfaction with their job two years after landing (84%). And 70% reported that "their experience either met or exceeded their expectations" (Statistics Canada, 2003: 11). And, it is not because the recent immigrants who come to Canada from developing countries earn lower-than-average earnings in their home countries. In fact, they probably earn more than average there even though they will earn less than average in Canada.

Some political explanations for the performance of recent immigrants in labor markets

Some immigrant groups and lobbyists have been quick to place the blame for the disappointing performance of recent immigrants on the usual suspects. Canadians are racists, they claim. And since most of the recent immigrants are visible minorities, their relatively poor employment and earnings prospects are the result of discrimination pure and simple (Flecker, 2007). But this leaves unanswered the simple question: why are Canadians willing to welcome so many immigrants?

Others, such as the Bouchard Taylor Commission (Québec, 2008), contend that the poor performance of recent immigrants is the government's fault, since it does not spend enough money to help immigrants settle. This includes shortfalls in expenditures on such activities as training, subsidized internships and mentoring, language education, and credentials assessment and validation. While there is something to be said for programs to help immigrants integrate, one should not be socially

ostracized for observing that the government's past record in designing and delivering such programs has not been a great success.

Analytical studies on labor market performance

An appropriate policy response to the poor outcomes experienced by recent immigrants requires a sound understanding of the causal factors at play. Fortunately, Garnet Picot and his colleagues at Statistics Canada have produced many very high-quality research studies analyzing the available data to try to learn why immigrants are doing so poorly in the labor market. A convenient survey of the studies is provided by Garnett Picot and Arthur Sweetman (2005).[2] They attribute the decline in entry earnings and increasing low-income rates to: the changing characteristics of immigrants, including country of origin, language, and education, which appears to have accounted for about a third of the increase in the earnings gap; the decreasing returns to foreign work experience, which accounts for another third; and the decline in the labor-market outcome of all new labor-force entrants including immigrants. They also discuss a possible reduction in the return on education and quality differences in education. To put it simply, Canadian employers do not value foreign experience and heavily discount the value of foreign education. A lack of fluency in English or French is also a problem (Grondin, 2005).

The importance of educational quality

There is growing evidence that Canadian employers are not just being stupid and that they have reasonable grounds to discount the value of foreign education. The disconnect between education and skills for many immigrants from third-world countries seems to be a definite factor explaining the poorer earnings performance. An obvious source of this discrepancy identified by Schaafsma (2004) is the lower quality of the education in these countries. That this might be the case had earlier been suggested in studies such as that by Schaafsma and Sweetman (2001) that showed that immigrants with Canadian education perform as well as the Canadian born. Moreover, Sweetman (2004) measured educational quality using

2 ◆ A more technical analysis is offered in Aydemir and Skuterud, 2005.

international data and used it to explain labor-market performance. Bonikowska, Green, and Riddell (2006) using the International Adult Literacy Survey, identified a 45-percentage-point difference between the average skill-level test scores of immigrants with no Canadian education and those of the native born. The differences in test scores explain half of the earnings gap for university-educated immigrants. Using the same survey, Coulombe and Tremblay (2005) a report skills-learning gap of 3.0 years for immigrants and 2.1 years even for those whose first language was English or French. That is enough to make a foreign university graduate with a pass degree equivalent to a Canadian high-school graduate.

The latest ranking compiled in 2007 by the Institute of Higher Education at the Shanghai Jiao Tong University (2007) provides an indicator of the quality of the university education in the immigrant-source countries. It is telling that only one university from outside the industrialized world, the State University of Moscow, is on the list of the top 100 universities. In contrast, Canada has four. And there are only 23 universities from the third world among the top 500, whereas Canada has 22. Very few third-world countries have universities in the elite: China (excluding Hong Kong) (12), India (2), Chile (2), Brazil (4), Mexico, Egypt, Turkey. There are none in the Philippines, Pakistan, or Iran, the third, fourth, and sixth top sources (after China and India) for immigrants to Canada in 2006.

It is important to know how many third-world immigrants actually attended any of these elite institutions in their countries or abroad, for that matter, since that is where the real, highly skilled, knowledge workers would have to come from. In contrast, it is known that most Canadian students graduate from the elite Canadian universities since, in effect, almost all the larger Canadian universities are classified as elite. And the same can be said of immigrants who get their university education after landing in Canada, which, by the way, might explain why they tend to do about as well economically as native-born Canadians.

The problem of increasing poverty among immigrants

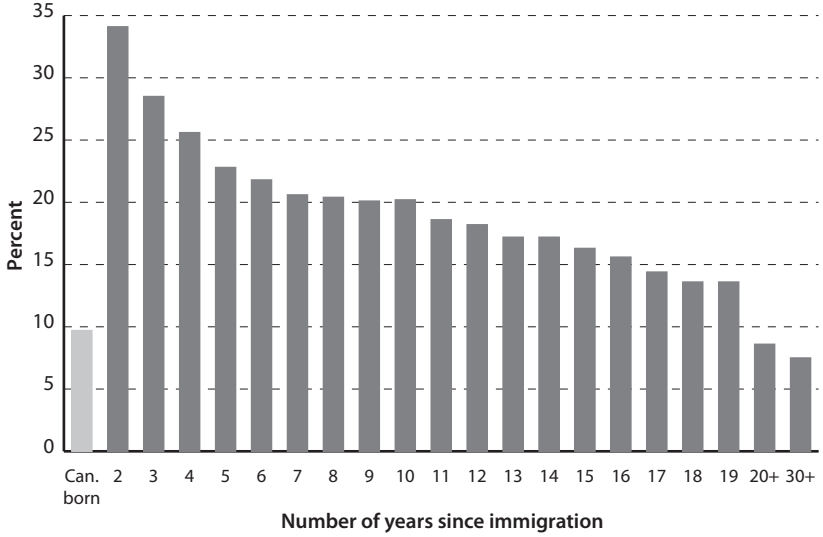
The poor performance of recent immigrants in the labor market has caused a much larger proportion of recent immigrants than Canadian born to fall below Statistics Canada's Low Income Cut-Off, which is

the most widely used indicator of poverty (figure 5.8). The incidence of poverty has been highest for recent immigrants from Africa and Asia (table 5.5) and it explains why poverty has been increasing in the main immigrant-receiving centers of Toronto, Montreal, and Vancouver, where immigrants are becoming increasingly ghettoized (Hou and Picot, 2004). At the same time as poverty has been rising in the immigrant community, it has been falling among the Canadian born. A growing disparity between rich and poor is emerging along ethnic and racial lines. There is a risk that this might undermine the dynamic of intergenerational upward mobility that has made Canadian immigration policy so successful in the past.

Consequences of the poor performance of immigrants for immigration policy

The high and growing level of immigrant poverty calls into question the economic rationale for a high level of immigration. It is to be expected that poor immigrants will take advantage of existing social and welfare programs and perhaps even demand more as their political clout increases.

Figure 5.8: Immigrants living below the Low Income Cut Off, by number of years since immigration, compared to Canadian born



Source: Statistics Canada, Census 2006.

Table 5.5: Low-income rates (%) for immigrant economic families (2000), total and by place of origin

	Total	Period of immigration						
		Before 1961	1961–1970	1971–1980	1981–1990	1991–2001	1991–1995	1996–2001
Immigrant population	19.1	6.8	8.2	10.4	17.2	33.6	25.2	41.2
Place of origin								
United States	10.0	4.2	5.8	7.5	9.7	19.2	13.3	23.2
Europe	10.9	6.9	8.4	8.2	10.5	24.7	14.5	33.7
Africa	28.1	7.1	7.2	10	20.7	42.6	34.8	48.8
Asia	26.9	8.7	8.3	11.3	19.4	36.8	27.8	44.6

Note: The figure for the non-immigrant population is 11.2%.

Source: Statistics Canada, Census, 2001.

In the past, immigrants used to have a lower incidence of reliance on government transfers than the Canadian born, primarily because of their age and ineligibility (or reduced eligibility for certain programs like old age security, C/QPP, and social assistance. However, the 2006 census reported that in 2005 recent non-senior immigrant families with children now receive a higher proportion of their income from government transfer payments than the Canadian born (Statistics Canada, 2008b: 40). If recent adverse trends continue, taxes will eventually have to be raised (or tax cuts have to be smaller than otherwise) to pay for the required increase in spending. This will create disincentives for growth. For new immigrants not to be a fiscal drain, eventually they will need to be capable of earning at least as much as everyone else and certainly to avoid joining the ranks of the poor.

The Conservative government was well aware of the poor performance of recent immigrants and recognized that a continuation of the current immigration policy was only going to make the situation much worse. The *Immigration and Refugee Protection Act* (Bill C-11), passed in a rush after September 11, 2001 by the previous Liberal Government, required the government to process all applications to immigrate to Canada and to admit those who meet the selection criteria set out in the Regulations. This gave the Minister relatively little discretion in selecting immigrants. And, in the mind of some, it conferred a new right to immigrate to Canada

on anyone who met the selection criteria, in effect, overriding Canada's right to establish an immigration policy in its own national interest. The result was a backlog of qualified applicants that reached 925,000 early in 2008 and was forecast to grow to 1.5 million by 2012 if nothing were done. As a consequence, the wait time for landing was anticipated to increase from the current six years currently to 10 years. Obviously the immigration system was out of control even on administrative grounds. The government consequently had no choice but to act.

Is Bill C-50 the solution?

The amendments to the *Immigration and Refugee Protection Act* passed as part of Bill C-50, *The Budget Implementation Act, 2008,* have restored to the Minister of Citizenship and Immigration the ability to manage Canada's immigration program. C-50 grants the Minister discretion to decide on which and how many immigrants are to be admitted. It allows the Minister to issue instructions on the processing of applications and requests to ensure that Canada's immigration goals are met. This will enable the Minister to reduce the time it takes for applicants to be landed and will allow a better matching of the skills and experience of the immigrants with the jobs available in Canada. It will thus, at least, stop the growth of backlog and promises to moderately improve the matching between immigrants and jobs.

But C-50 is only a beginning. It is not the complete solution to the problem. Its main shortfall is that it commits the government to admit everyone in the existing backlog (as of February 27, 2008). These are people who have been selected under the same point system that has produced the deterioration in immigrant earnings and the growing problem of immigrant poverty. And, even worse, the way that the backlog has been allowed to mushroom out of control will probably ensure that many of the immigrants most likely to succeed economically in Canada will have already immigrated elsewhere or found successful careers at home, leaving only those without other options or with a special family attachment to Canada waiting patiently to be landed. A more rational approach would have been to tighten the selection criteria and then to reassess those in the backlog. This would guarantee that those admitted to Canada in the future were those most likely to succeed.

250,000 immigrants is too many

The fundamental problem that no one, especially the government in introducing C-50, is yet willing to acknowledge is that the selection system is incapable of choosing as many as 250,000 immigrants every year who are capable of doing well in the Canadian labor market. And this is even after a 16-year expansion that produced an extremely tight labor market, where the unemployment rate dropped below 6%. The situation can only worsen as unemployment climbs, as is now happening with a vengence as the economy is hit by what appears to be the worst recession of the post-war period.

The only way to ensure that the immigrants chosen will do better is to be more selective. The selection system will have to be revamped and the economic performance of immigrants should be much more carefully monitored. A second, and more fundamental, change in immigration policy should be to lower the global target for immigration to no more than 100,000 a year. This would represent a significant cut from current levels. If it, together with a better selection system, produced the desired improvement in the economic success of immigrants, it could be maintained. If not, it should be reviewed.

There are significant benefits for Canada that could be expected from lower immigration. It would promote the integration of immigrants in labor market. It should lead to an increase in immigrants' earnings. It would stop the increase in poverty. And it would prevent the emergence of a large, net fiscal drain. More generally, a tighter labor market would put upward pressure on wages and incomes of Canadians, which, maybe not coincidently, have stagnated in recent years.

How to improve the selection system

Much can be learned from the Australian method for selecting immigrants. This includes: more careful evaluation of occupational and educational credentials; formalized language testing; and fewer points for older workers (Hawthorne, 2008: 39).

The human-capital model used in the Canadian selection process still has merit but it is important to recognize that education is not homogeneous. If Canadian universities chose foreign students the way CIC selected immigrants, half their classes would flunk out. The government's move to focus on international students and foreign workers through the

Canada Experience Program is a move in right direction. It will also be important to make sure that the government does not try to pursue occupational fine-tuning given its past misadventures.

The tools exist to make sure immigration is working

In the past, the main data source for assessing the degree of integration of immigrants was the census. It provides a rich body of data on labor markets and earnings that can be used for analysis. The problem is that the data was only available every five years and, even then, only after a lag of several years. Some data on immigrant earnings was only released in May 2008 and, even then, the detail by source countries was not available.

More timely data on the performance of immigrants is required if immigration flows are to be more closely matched to the needs and absorption capacity of the Canadian economy. Fortunately, the required tools and data do exist. The Immigration Data Base (IMDB) compiled by CIC contains information on all immigrants landing since 1980, including their annual tax information. This can be matched with the Longitudinal Administrative Database (LAD) containing a 20% T1 tax sample. These databases can be used along with the Labor Force Survey (LFS) to monitor annually the performance of immigrants in the labor market. However, to ensure the success of such monitoring, the number of immigrants admitted has to be adjusted with a relatively short lag if their performance falls below acceptable levels.

The tracking of immigrants' performance through these databases should focus on their earnings relative to comparable Canadian workers. This relationship in the past when the immigration program was working and immigrants were able to catch up saw immigrant workers in their first year after landing earning around 80% of the comparable earnings of Canadians. Attention should also be paid to making sure that existing Canadian residents were not displaced by new immigrants, as is supposed to be done with the Temporary Foreign Worker Program.

Conclusions

It is very encouraging that the Government has finally recognized the existence of a problem and has started to do something about it. But the real job will not be done until immigrants admitted to Canada are

again being integrated relatively rapidly into the labor market as they were before 1980 when the immigration system still worked in the economic interest of Canadians.

The fundamental conclusion of this paper is that there has been a continued alarming deterioration in the economic performance of new immigrants in recent years as their numbers have remained at high levels and in spite of the apparent increase in their educational levels. Over the last quarter century, the earnings of new immigrant men with a university degree has fallen dramatically to less than half of that of Canadian born and the earning of new immigrant woman with a university degree to almost 40% of that of Canadian born. The unemployment rates of new immigrant men are almost twice as high as Canadian born and those of new immigrant woman even higher. And poverty as measured by Statistics Canada's Low Income Cut-Off has been growing and becoming increasingly concentrated in communities of new immigrants.

It is clear that the recent immigrants coming to Canada from Asia, southeastern Europe, Latin America, and the Caribbean are not doing as well as immigrants from Europe and the United States and are not being successfully integrated into the Canadian labor market. The poor performance of recent immigrants in the labor market can only be addressed through a radical reform of Canadian immigration policy that substantially reduces the number of immigrants and tightens up selection criteria sufficiently to reverse the deterioration.

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