

Chapter Eleven

The Economics of Immigration



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1

Learning Objectives

- Patterns of immigration
- “Points System”
- Impact on native-born
- Assimilation
- Drain on public treasury?

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Profile of Immigration to Canada

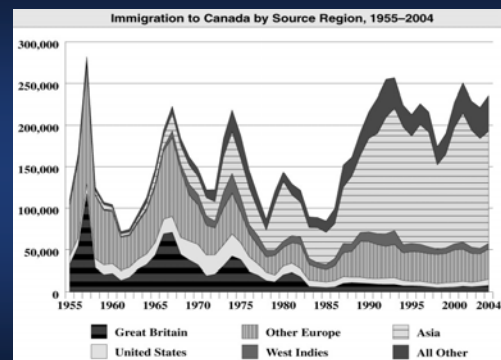
- Until the mid-1980s overall immigration levels fluctuated considerably
- 200,000+ immigrants per year since then
- Per-capita immigration levels are slightly lower
- Source regions have changed dramatically

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Profile of Immigration to Canada



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Profile of Immigration to Canada Top Ten Immigrant Sources, 1995 and 2004

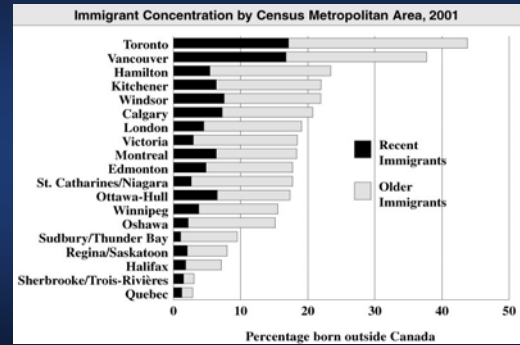
| Rank | 1995 | | 2004 | |
|------------------------------------|--------------------|---------|--------------------|--------|
| 1 | Hong Kong | 31,769 | China (PRC) | 36,411 |
| 2 | India | 16,261 | India | 25,569 |
| 3 | Philippines | 15,160 | Philippines | 13,301 |
| 4 | China (PRC) | 13,309 | Pakistan | 12,796 |
| 5 | Sri Lanka | 8,938 | United States | 7,494 |
| 6 | Taiwan | 7,690 | Iran | 6,063 |
| 7 | Bosnia-Herzegovina | 6,295 | United Kingdom | 6,058 |
| 8 | United Kingdom | 6,170 | Romania | 5,655 |
| 9 | United States | 5,195 | Korea, Republic of | 5,337 |
| 10 | Pakistan | 4,002 | France | 5,026 |
| Top ten source countries | | 114,789 | 123,710 | |
| Percentage accounted for by top 10 | | 54 | 52 | |
| Percentage accounted for by top 4 | | 36 | 37 | |
| Others | | 98,080 | 112,114 | |
| Total | | 212,869 | 235,824 | |

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Profile of Immigration to Canada



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The Policy Environment

- Two “levers”
 - Number of immigrants
 - Who is admitted
- What the policymakers are trying to achieve?

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Immigration Policy

- Admitting immigrants to alleviate specific skill shortages or contributing to economic growth
- Family reunification
- Sanctuary from political persecution

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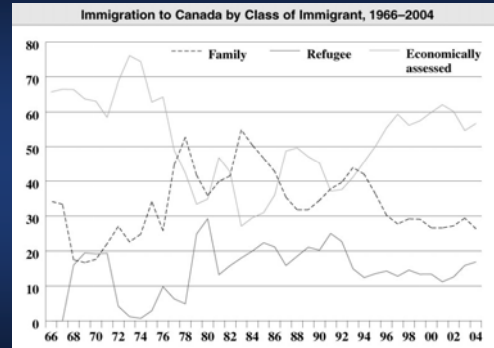
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Two Classes

- **Assessed**
 - Evaluated on the basis of their likely contribution and success in Canadian labour market
- **Non-assessed**
 - Family and refugee classes

The Policy Environment

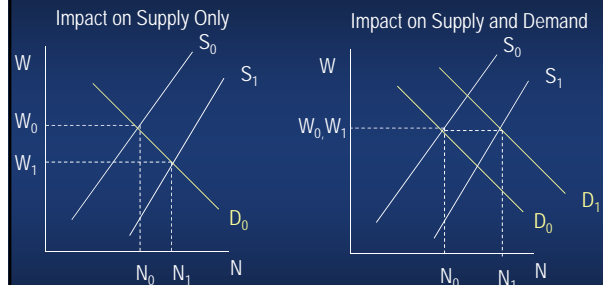


Canada's Immigration Policy

- **Minimum work experience, minimum fund, and minimum score**
- **Point System (2005)**

| | Max. Score | |
|-----------------------|------------|----|
| – Education | // | 25 |
| – Official Language | // | 24 |
| – Work Experience | // | 21 |
| – Arranged Employment | // | 10 |
| – Adaptability | // | 10 |

The Impact of Immigration on Employment and Wages



Effects of Immigration

- Positive Effects
 - Fill markets where there is already a shortage
 - Increase derived demand
 - Alter trade patterns
 - Invest

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Economic Assimilation

- Assimilate in terms of hours working
- Starting out at a lower level than a native born individual
- Expect wages to increase over time (if positively selected)

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Economic Assimilation Profile

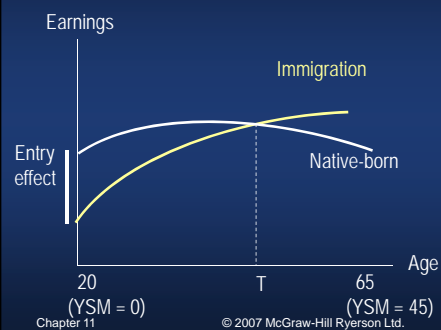
- Initially the immigrant may suffer an earning penalty (entry effect)
- As the immigrant ages, his/her earnings should also rise
- If assimilation is quick
 - disparity offset by a short catch-up period

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Hypothetical Assimilation Profile

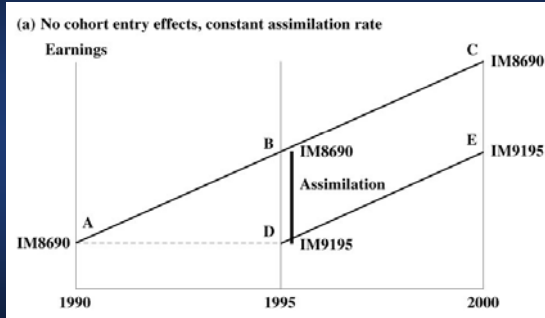


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16

Measuring Earning Assimilation: Disentangling Cohort and Assimilation Effects

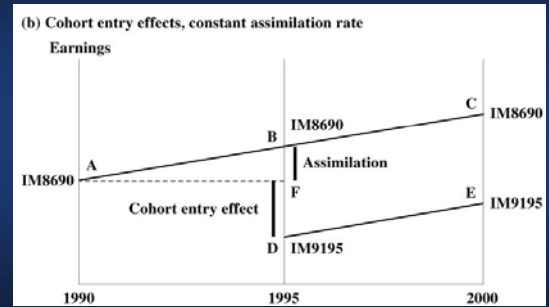


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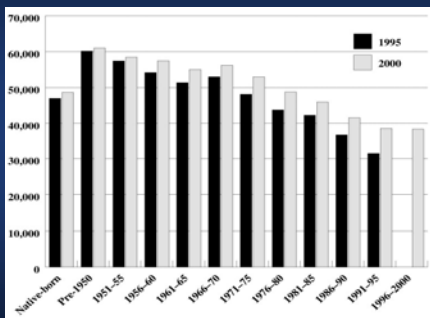


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Annual Earnings by Immigrant Cohort, 1995 and 2000



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Immigrant Outcomes and Public Policy

- Canadian Point System vs. U.S. Family Reunification
 - Point system reduces admissions from less developed countries
 - Has an impact on tilting immigrant selection towards more skilled groups
 - Independent immigrants fare better than family class and refugee immigrants

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Impact of Immigration on Source Countries – Brain Drain

- Less-developed countries may lose their most skilled labour to more-developed countries
- Home countries bear the cost of education and skilled emigrant reaps the benefits
- Possible remedies
 - decrease taxes (a blunt instrument)
 - increase opportunities
 - Increase immigration of similar people

Summary

- Profile of Immigration to Canada
- Two policy instruments of the Canadian government to control immigration
 - Target number
 - Mix of assessed and non-assessed classes
- The potential impact of new immigrants on the labour market
- Assimilation profiles of immigrants
- Emigration and “brain drain”

End of Chapter Eleven