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# FINANCIAL POST

## Don't count on future immigrants for economic growth

**Tim Shufelt** Feb 11, 2012 – 9:00 AM ET | Last Updated: Feb 10, 2012 5:48 PM ET



Aaron Lynett / National Post

The Canadian population is growing faster than any other G8 country, according to 2011 census data released this week. New Canadians account for two-thirds of the growth.

Canadians have long taken for granted that a constant stream of skilled foreign workers dream of the opportunity to immigrate here.

The country's growth model is essentially built on that assumption.

But as the world economic order shuffles, so do the opportunities for mobile talent.

“They are not lining up,” said Benjamin Tal, deputy chief economist at CIBC World Markets. “We’ve got to wake up to this realization.”

The Canadian population is growing faster than any other G8 country, according to 2011 census data released this week. New Canadians account for two-thirds of the growth. Within the next 20 years, immigration will become Canada’s only source of net population growth.

Much sooner, labour force advances will become completely reliant on newcomers.

Growing in this way has its risks — principally, that the supply of human capital will dry up.

That is just what is beginning to happen, as the shortcomings of the immigration system discourage foreign workers from settling in Canada. Instead, they are choosing to take advantage of meteoric economic growth in their home countries.

This is happening as Canada is rapidly aging. Falling birth rates combined with the mass retirement of the baby boom generation will see fewer domestic workers to generate growth and support the retired. The resulting skills shortage is the country’s primary threat to competitiveness, according to a report by the Canadian Chamber of Commerce.

More than any other major country in the world, Canada has identified immigration as the answer to its demographic problem.

“We’re one of the very few countries in the world where immigration is seen as a net plus when you poll the public,” said Perrin Beatty, president of the Chamber of Commerce.

That alone is a crucial competitive advantage, he explained.

“There’s growing hostility to immigration in Japan, which is also aging rapidly. In Europe, you’re seeing enormous tensions as the result of immigration, and the Americans are slamming their doors,” Mr. Beatty said.

For workers of the world considering migration, Canadian cities are unusually welcoming.

“We have a pluralistic, multicultural society,” Mr. Beatty said. “There’s no more diverse region anywhere in the world than the GTA.

“It’s come as you are, and it works.”

**So much so that Canada ought to raise its immigration quota substantially, said Tony Fang, a professor at York University. There are constraints to how many new immigrants a country can manage, he said.**

**“Recent immigrants are concentrated in large urban centres — Montreal, Toronto and Vancouver. You run into issues related to housing, public transportation, that kind of thing,” he said.**

**A report by Mr. Fang found Canada could handle an extra 100,000 people each year, in addition to the 250,000 annual quota of immigrants.**

**His study accounted for the effects of immigration on inflation, infrastructure and the labour market, finding no net adverse effects on wages or unemployment.**

It’s not enough to merely add to headcounts, however.

“It’s not a question of the pure quota the immigration program comes up with,” said Yuen Pau Woo, president of the Asia Pacific Foundation of Canada.

The country, of course, needs top talent to fill vacancies in professions and trades.

Canada draws most of its immigrants from China and India. But those countries are intensifying efforts to retain skilled workers.

It’s getting easier for those governments to make that case.

“It’s not easy to attract high-skilled people to Canada, given that many of them now have good standards of living in their countries, be it China, India or Brazil,” Mr. Tal said. “They have good lives. It’s their culture, it’s their language.”

Wages in China have increased six-fold over the last decade. And the world has come to rely on China’s double-digit economic growth rates.

The economic centre of gravity shifts ever eastward. So too do the best career options.

“We’re seeing people simply making a pragmatic decision that the opportunities are greater somewhere else,” Mr. Beatty said.

Although Canada has much to offer migrant workers, those looking for a reason to avoid Canada have much to choose from.

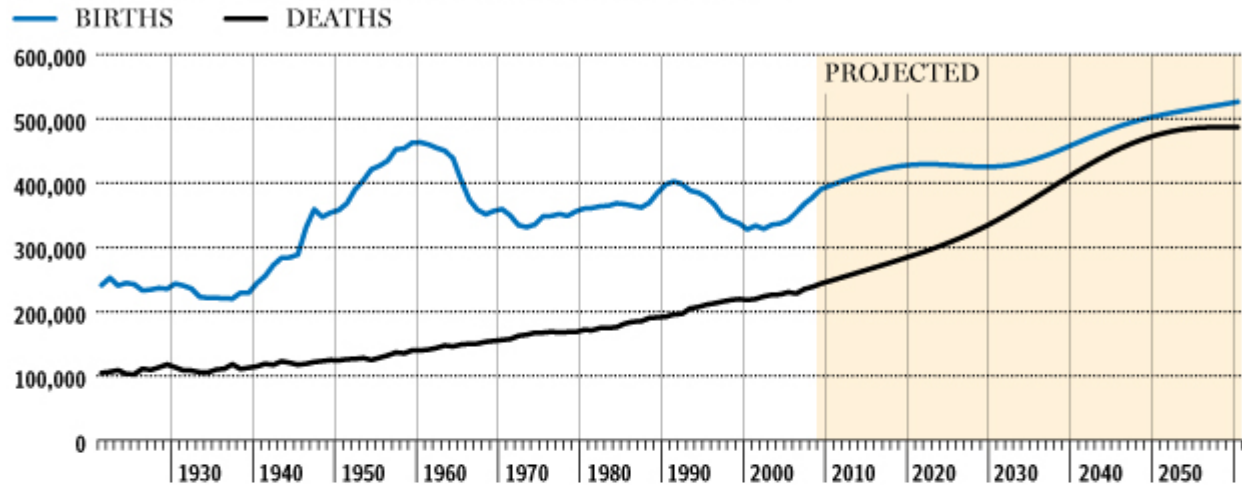
The long-identified problems of integrating immigrants into the labour force persist and have begun to spoil Canada’s international reputation, Mr. Woo said.

“That’s a huge problem,” he said. “The many stories of the inability to find suitable work are filtering back to the applicant pool and discouraging skilled individuals from taking their chances in Canada.”

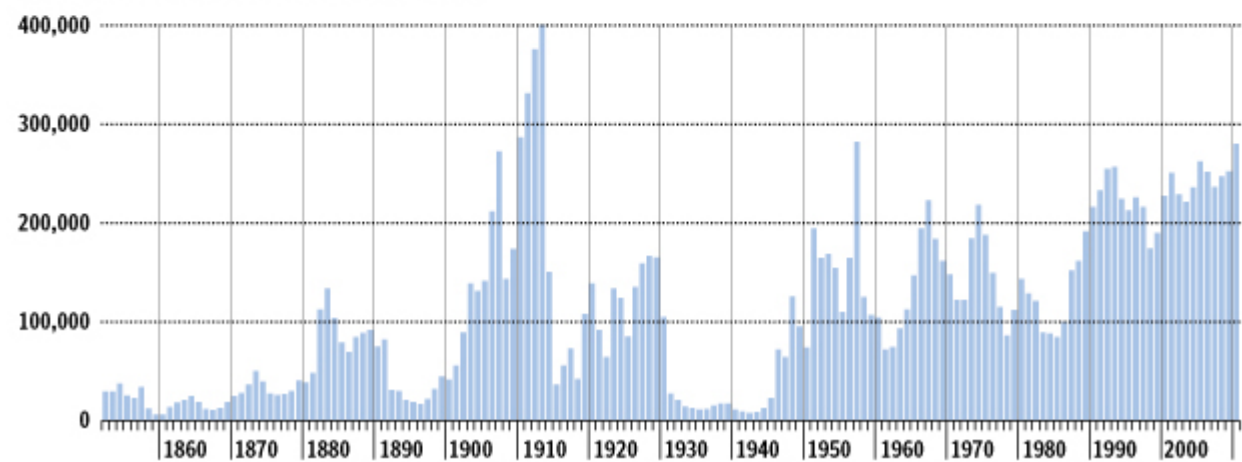
While the average immigrant may be better educated than the average native-born Canadian, the newly landed forfeit a great deal of income in Canada.

## ***WILL IMMIGRATION FILL BIRTH GAP?***

### **NUMBER OF BIRTHS AND DEATHS IN CANADA, 1921-2060**



### **LANDED IMMIGRANTS, 1852-2010**



SOURCE: STATISTICS CANADA

JONATHAN RIVAIT / NATIONAL POST

Those arriving between 2000 and 2004 earned just 61¢ on the dollar compared to a Canadian-born worker, a new TD Economics report said.

“The simply but sad truth is that many new immigrants cannot hope to close the earnings gap in their lifetime,” the report said.

Simply closing the gap in employment rates between those two groups would result in an additional 370,000 jobs for immigrants.

“We’re wasting the skills of people we’re bringing here, underemploying them, and increasingly they’re seeing greater opportunities somewhere else,” Mr. Tal said.

A five-year old Statistics Canada study discovered about one-third of male immigrants leave Canada within 20 years. Of those, six in 10 leave within a year of arriving.

The explosive growth realized by emerging market economies over the last five years has probably encouraged even more recent arrivals to abandon Canada, Mr. Beatty said.

Even drawing skilled workers in the first place will become more challenging.

“It’s not going to just be a matter of culling through a list of people lined up to get in,” he said. “We’ll have to demonstrate how it’s better for someone to come to Canada.”

The options for workers, meanwhile, will grow as more and more developed countries resort to immigration to contend with aging populations and low birth rates.

“This is a critical issue,” Mr. Beatty said. “We’ve got all the advantages in the world, but unless we get our act together we’re going to lose out.”

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