

ECONOMIC AND SOCIAL EFFECTS OF IMMIGRATION

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I. DECIDING ABOUT IMMIGRATION

Six vignettes from the early stages of the Economic Council's research on immigration:

1. An eminent University of Toronto professor, commenting that every second face in the subway these days is non-white.
2. A leading businessman, noting a chain of pharmacies established by a Vietnamese immigrant, insisting that this kind of immigrant dynamism is just what Canada needs.
3. A top trade unionist, torn between his liberal instinct to admit the poor and refugees, and his dedication to providing jobs for Canadians.
4. A high government official, preoccupied by deficit worries, pointing to billions in educating costs today, and in costs of supporting the aged tomorrow, that could be saved by increasing the rate of immigration.
5. An angry retiree, defending himself against a charge of racism, for complaining that Canada was being transformed from the country he used to know.
6. The head of a charitable organisation, filled with pride at the blossoming of Canada into one of the world's first successful multiracial-multicultural societies.

Immigration is clearly an emotional issue for many people. It arouses strong positive reactions in some, strong negative reactions in others, and occasionally - pace the trade unionist - strong ambivalence. Yet, it quickly transpired that the amount of hard information underlying these strongly felt perceptions about immigration was decidedly exiguous.

Such a situation is tailor-made for the Economic Council. Its job is to advise the government on economic policy for the medium to long term, on the basis of sound factual research. There was clearly a need for this with immigration policy, the more so as higher immigration was being increasingly suggested at the time as compensation for declining birth rates. After a preliminary examination of the literature and the issues, the Council decided to try and answer the most important factual questions about immigration. If answers could be found, it would be in a position to give sound, research-based, advice. The following are examples of these questions :

1. Are there significant economic gains from immigration?
2. Is immigration turning Canada into a multiracial society?
3. Do immigrants take jobs from Canadians?
4. Does immigration reduce the tax cost of educating the young and caring for the aged?
5. Do the social changes wrought by immigrants improve or worsen Canadian society from the perspective of the hosts?
6. How big a risk of racial problems is being accumulated as a result of non-white immigration?
7. How consistent can immigration policy be with the obligation to admit refugees?

While this is not a complete list, the key issues are there. True, each question could be sharpened, by decomposing it into a series of lesser questions, defining terms, etc. but the list suffices for my purposes today. These are:

- a) to explain what the Economic Council research on immigration was about;
- b) to outline the main results of the research; and
- c) to sketch the major resulting recommendations.

I shall not go into our methodology, or how we moved from questions to answers, but would be happy to do so in the discussion period.

If one looks at the seven questions above, we see that six of them concern what immigrants do to or for Canadians, and only one concerns what Canadians do to or for immigrants. That was a major characteristic of the ECC research: the emphasis was on the plusses and minuses of immigration for the host community. Only in determining its policy recommendations did the Council add, into its calculus of the gains and losses to Canadians, some consideration of the advantages to immigrants.

The Council's questions about the impact of immigration on the Canadian host community covered three kinds of effects: **economic, social, and political.**

II. POLITICAL EFFECTS

Since political effects - which concerned the influence of immigration on the size and power of Canada within the international community, and on the distribution of population and power amongst provinces within Canada - turned out to be quite negligible, we pass over them with no further comment.

III. ECONOMIC EFFECTS

Previous work by the economic profession had suggested that the economic effects of immigration were rather marginal, and uncertainly positive or negative. There was good evidence of this from many Canadian studies and also from a major Australian study. Yet perceptions of

large positive effects - with the possible exception of effects on unemployment - are strong. We therefore did new empirical work in several areas, and careful thinking about some others, in order to come up with a fresh assessment of these early results.

We did new work on :

1. The size of the scale economy gains from a larger domestic market that immigration would generate;
2. The value of filling labour market gaps rapidly by immigration, rather than slowly by training;
3. The down-the-road savings in tax costs of caring for the aged, if immigration were used to mitigate the "greying" of the population;
4. The degree to which immigration raises the unemployment rate; and
5. The gains to Canada from "spillover effects", i.e, immigrants contributing to the economic system more in output than they take out of it.

In none of these areas did we close the book, but we did advance knowledge considerably.

In some areas, we were able to use logic, without the necessity for new empirical work, to obtain answers to questions about the economic effects on immigration. These included gains attributable to :

1. Not having to pay for the education of immigrants, unlike native-born;

2. Large amounts of money capital brought in by immigrants, especially investor immigrants; and
3. The fact that, without immigration, Canada as we know it would not exist.

Our results on economic effects as a whole largely confirmed previous research. We did find, however, definite positive economic gains from immigration rather than simply being agnostic, but the gains were exceedingly small (Chart 1). The source was mainly the efficiencies made possible by a slightly larger domestic market, with a minor additional contribution from reduced per capita future tax costs of caring for the elderly. We found no unemployment effects, no detectable spillovers, and no merit in the arguments about gains from the education of immigrants, from the capital they bring, nor from the necessity of immigration to the founding of Canada.

IV. SOCIAL EFFECTS

Demographic projections are notoriously unreliable, but we did them, as everybody does, and they showed that immigration was significantly increasing the proportion of visible minorities in Canada (Chart 2). It is not clear whether this necessarily means a change in the social and cultural structure, but it did raise concern in the Council as to whether Canadians were tolerant enough to accept this change without an unacceptable increase in racial friction and racial incidents. Experience of race relations, historically in Canada, and internationally, did not warrant unexamined optimism. Blind pessimism seemed equally irresponsible. Thus, there was a need for research into the degree of tolerance of Canadians towards visible minorities.

We carried out four pieces of empirical research to help decide whether a rising proportion of visible minorities would significantly increase racial tensions and frictions. The four were :

1. An analysis of trends in attitudes to visible minorities, and in the determinants of these attitudes, using answers to various questions in 62 public opinions polls, taken over the last 15 years;
2. A field test of discrimination in the Toronto job market in 1989, replicating a field test done in 1984;
3. An analysis of time series data on anti-semitic incidents, from B'nai Brith; and
4. Examination of 1986 census data for evidence of discrimination in wages against visible minority immigrants.

The results were surprisingly reassuring.

As far as trends in attitudes to visible minorities are concerned, the situation was clearly improving. Moreover, the improvement was greatest and prejudice was least in areas where visible minorities were the most numerous. Examples would be Toronto and Vancouver. These results appeared to confirm the "contact hypothesis", whereby increased contact with visible minorities can increase tolerance towards them. Nevertheless, there were some warning signs in the results; tolerance fell with high levels of unemployment, and also whenever unusually rapid increases in the proportion of visible minorities occurred.

In the field tests in Toronto, employers were presented with equally qualified black and white applicants for jobs that they had advertised. In 1984, white applicants were chosen by employers in preference to black by a margin of three to one. However, in 1989, the black and white applicants were equally likely to be chosen. The results suggest a significant improvement in tolerance. There was, however, one reservation. In a separate part of the survey, where accented and unaccented callers tried to obtain job interviews over the phone, the rate of success

in being called for an interview was significantly higher for unaccented callers. This situation did not change between 1984 and 1989.

The data on anti-semitic incidents showed a somewhat mixed picture. Over time there has been no increase in violent incidents but there had been some increase in total incidents, including non-violent incidents such as graffiti. These results were taken as an indication not to be oversanguine about the results from the survey data and from the field tests in Toronto.

The analysis of 1986 census data, newly available at the time we did the immigration project, showed fairly conclusively that there was no wage discrimination against visible minority groups of immigrants in the Canadian population. All immigrants earn less than similarly qualified native-born for some years after arrival, but visible minority immigrants do not earn less than similarly qualified non-visible minority immigrants.

Our conclusions on the question of tolerance and prejudice towards visible minority immigrants were first, that a gradual improvement was occurring through time, and second, that the level of tolerance, while by no means perfect, was reassuringly high.

In arriving at its main recommendations, the Council had to weigh four incommensurable factors: the economic gains; the social impact; the political effects; and the humanitarian value of immigration, particularly for refugees.

The economic gains were positive, but very small to the host community. On the social side, there seemed to be little risk of racial friction, even if immigration rates were increased. However, the gains or losses from a greater diversity in the society, socially and culturally speaking, turned out to remain a matter of personal opinion. Our attempts at research in this area did not pan out. Political effects, as noted, were negligible. From the humanitarian point of view, there was clearly a major gain to immigrants, and some degree of international obligation.

The Council opted for an increase over the long haul in immigration, to reach one per cent gross of the population (the post-war average was about 0.6 per cent) by 2015 (Chart 3). At the same time, immigration should be slightly reduced from its most recent levels, for the time being, on the basis of research on the social side having shown that sustained rapid increases are risky.

The Council also suggested a modest adjustment to multiculturalism policy, again on the basis of its research. That adjustment can be interpreted as suggesting a mild increase, exceedingly mild, in the degree of assimilation requested of immigrants. In a third major recommendation, the Council advocated enhanced efforts, budgetary and others, to combat the racism that still remains in Canadian society.

All in all, the Economic Council was distinctly upbeat about immigration, seeing an expansion in it as a rare opportunity for a policy change from which everyone would gain.