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Is there Really a Looming Labour Shortage in Canada and, if there is, can Increased Immigration Fill the Gap?

Martin Collacott,
Senior Fellow, The Fraser Institute

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Introduction

In its release of 2001 Census data earlier this month, Statistics Canada reported a growing reliance on immigration as a source of skills and knowledge. The covering statement goes on to note that recent immigrants represented 70 percent of total labour force growth over the past decade and could account for virtually all labour force growth by 2011 (Statistics Canada, 2003). The implied message for Canadians is clear: without significant immigration, Canada's economy cannot grow or, in the words of a Southam News national editorial published after a release of 2001 Census data last year, without more people we can't sustain our well being, let alone do better. With our low birth rate, immigration is therefore vital (Southam, 2002).

This begs the question of whether Canadians need or want a larger population. The government has, however, no plan for how large a population the country as a whole should have and has certainly not asked the people of Canada what their preferences are in this regard. To say that we need a larger work force, however, is premised on the assumption that we need one because we are going to have a larger population. While it is probably safe to say that few Canadians want to see their communities diminish in size, there are probably many—particularly among those living in large metropolitan areas—who do not want to see their cities and towns become a great deal larger.

While arguments can be made both for and against population increase, the StatsCan statement that there is a growing reliance on immigration for growth in the labour force implies that we have no choice in the matter, that the population is going to increase, the work force must continue to grow, and we can only achieve this with large-scale immigration whether we like it or not. As for the fact that most of the recent increase in the work force has taken place because of immigration, this is hardly surprising since most of the population increase has occurred for precisely the same reason. The questions remain, however, as to whether we really need or any want such increases.

Skills shortage?

Canada has benefited from immigration in many ways over the years, ranging from the populating of the West in the early part of the century to the arrival of new human capital and the enrichment of our society through diversity in more recent decades. As well, we have been able to meet humanitarian goals by accepting refugees fleeing persecution. However, claims that that Canada's economic well-being depends on continued population growth, or that we are facing a massive skills shortage that we cannot meet without large-scale immigration, are simply not warranted by the facts.

A paper on immigration policy released in September by The Fraser Institute demonstrated that economic growth does not require increases in population (Collacott, pp. 6, 7). A study by the Economic Council of Canada found that in the past century, the fastest growth in real per capita income occurred at times when net migration was zero or even negative (*Economic and Social Impacts*, p. 29). In similar vein, a report issued by Health and Welfare Canada noted that, according to the OECD, there was no correlation whatsoever between population growth and economic growth in its 22 member countries (*Charting Canada's Future*, p. 9).

There is no question in this regard that women all over the world are having fewer babies and population growth is slowing down and will eventually cease, barring an unlikely reversal of this trend. StatsCan projections show that without any net immigration or change in the fertility rate, the Canadian population will begin to fall below current levels in the late 2020s—but not until then (Statistics Canada, 2001, p. 64).

The fact that Canadians are living longer, when combined with the low fertility rate, also means that we will have a greater proportion of retired persons per worker than at present. This need not be a problem, however, as other countries such as Sweden, which have populations already as old as ours will be several decades from now, have been able to cope with such a development through a more rational use of the workforce, including better training and education, more use of women, and allowing older people to continue working if they choose to do so. Some experts, indeed, believe the aging of the population will bring with it advantages to society. (Andrew Mérette (2002) of the University of Ottawa, for example, identifies a number of benefits, including the fact that an aging population will be well suited to the new economy, which demands more brains and less brawn.)

There is considerable evidence, therefore, that Canada is well placed to deal with an increasing percentage of retirees, providing we have a well-qualified workforce, make good use of it, and have normal increases in productivity. Whatever the problems associated with an aging population and whatever solutions are devised to meet them (and a number of these are described in The Fraser Institute paper referred to above), it is abundantly clear that immigration does not provide a practical solution. Not only do newcomers themselves grow old, but they also tend to have families just as small as Canadian-born after they settle here. A United Nations study concluded that immigration can only serve as a tool to arrest the aging of the population if carried out at levels that are unacceptably high and ever-increasing (*Replacement Migration*).

Are high immigration levels the answer?

When StatsCan released 2001 Census data in July of 2002 showing that the population was aging, the agency made it clear, as it had previously, that immigration would do little to halt this trend. It noted that, "given Canada's current age distribution, overall population aging is unavoidable… immigration has limited impact on population aging" (Statistics Canada, 2002, p. 5). The report went on to detail how high immigration levels were projected to have little impact on the average age of the population.

Despite this clear evidence to the contrary, Prime Minister Chrétien ignored the facts and argued that we would have to increase immigration to deal with the looming retirement crisis (Carey, 2002). He also used the occasion to claim that immigration was necessary to keep the economy growing and provide the taxpayers that will be needed to maintain the level of revenues that will help us to pay for our social programs (MacCharles, 2002).

Other advocates of high immigration levels, such as David Baxter, president of the Vancouver-based Urban Futures Institute, joined the Prime Minister in declaring a state of urgency on this issue by claiming that "we should be scared out of our minds" by the census results (Carey, 2002).

In contrast to these alarmist statements, calmer and better-informed voices, such as demographer David Foot of the University of Toronto, pointed out that Canada shouldn't panic and raise its immigration levels since the problem of aging boomers is at least a decade away. Back in 1996, Foot and co-author Daniel Stoffman noted in their demographic bestseller, *Boom, Bust and Echo*, that as the number of Canadian-born people entering the labour market in the first decade of the twenty-first century would increase because of the echo generation (children of baby boomers), Canada would have to consider curtailing immigration. In their words, "it does not make sense to bring in a flood of 20-year old immigrants to compete for scarce jobs just when large numbers of Canadian-born 20-year olds are entering the job market. Doing so would be unfair both to immigrants and to resident Canadians" (Foot with Stoffman, 1996, p. 205).

In commenting on the sense of crisis created with the release of the latest census figures, Foot observed that "It's exactly the opposite… the baby boomers aren't retiring for another five years, and their kids are entering the labour market." He predicted that, "we're going to have labour market surpluses before we get to the labour market shortages" and noted that we still have a jobless rate of 7 percent and that doesn't sound like a labour shortage to me" (Beauchesne, 2002).

Another of Canada's best known demographers, Roderic Beaujot of the University of Western Ontario, also counseled against the sense of urgency and even panic engen-

dered by the prime minister and others when he pointed out that, even with a further decline in the birth rate and substantially reduced immigration levels, we can expect projected population growth through to 2029, and with natural increase alone (i.e., without immigration) we will still keep growing for more than a dozen years (Kerr and Beaujot, 2002).

But even if we are able to cope with our overall labour requirements from the existing work force as the population ages, what is the likelihood of our having to contend with shortages of skilled labour in particular occupational fields? On this question, a study carried out by researchers in the federal Department of Human Resources Development Canada found that there was no reason to believe that, globally, Canada is suffering from a broad-based shortage of skilled labour or that its workforce cannot fulfil the economy's needs.

The researchers also found that, although there has been an increased frequency of specific labour shortages in certain sectors and occupations in recent years, it does not appear that these gaps are more common today than they were in the past at similar stages of the business cycle. They concluded that, while there may be a growing labour shortage (skilled and low-skilled), there is no aggregate shortage of skilled labour, and that Canada compared favourably with many of its principal competitors in world markets, both in terms of investments in human capital and in the stock of skills (Gingras and Roy, 2000).

This is not to say that industry may not have to deal with specific shortages of skills from time to time—for example, when significant numbers of personnel retire during the same period or when new occupational demands arise. Such requirements do not, however, mean that immigrants provide the obvious answer. A recent survey by the Canadian Labour and Business Centre found that only a very small percentage of managers and labour leaders in both the public and private sector regard the hiring of foreign-trained workers as very important in responding to this problem. Rather, they look overwhelmingly to solutions involving the existing workforce, such as upgrading the skills of current employees, getting older workers to mentor younger ones, hiring young labour market entrants, and phasing in retirement policies (*Viewpoints 2002*, p.15).

Nor is it clear that the very large numbers of immigrants who have arrived in the past few years were really needed by the Canadian economy. StatCan's figures show that in 2001 only 65.8 percent of recent immigrants aged 25 to 44 were employed compared to 81.6 percent of Canadian-born, and that the unemployment rate of such immigrants is almost twice that of Canadian-born (Statistics Canada, 2003). Other studies show that the earnings of recent immigrants are low compared to those of people born in Canada as well as newcomers who came earlier. These statistics raise questions as to the extent to which our labour market really is short of workers or if it is, the extent to which the problem

can be solved through immigration. It provides no solution to labour shortages to import workers who are then unemployed.

The question of the degree to which labour market requirements should be met from the existing workforce rather than through immigration involves a number of considerations. Many skilled immigrants who were encouraged to come here in the expectation that their credentials and experience would be fully valued by Canadian employers have been disappointed. Very often their professional experience overseas is given little weight and their training difficult to evaluate. They may also face employment problems due to language barriers or lack of familiarity with Canadian culture. The certification required to practice their profession poses a major hurdle for many, and striking a reasonable balance between responding to shortages and flooding the market with an oversupply of newcomers in a particular field is not an easy task.

One example

An example of such difficulties can be seen in the year 2000 when over 15,000 newcomers declared engineering as their intended occupation in Canada, i.e., about 6.6 percent of all our landed immigrants in that year (compared to less than one percent in the case of the United States). The number of engineers entering Canada that year was, in the event, 50 percent higher than the number of engineering degrees granted by Canadian universities, with foreign-born then comprising almost half of those holding engineering degrees in Canada (Couton, 2002, pp. 6, 7).

This massive influx into Canada has almost certainly been a major contributing factor in the failure of Canadian salaries in the engineering field to keep pace with those in the US in the past decade. It is also probably a major reason why many of our best engineering graduates accept employment offers from American companies rather than stay in Canada. By taking in such large numbers of engineers as immigrants, Canada is, therefore, helping to create an on-going brain drain which will require the continued substitution of Canadian-born by immigrant engineers.

Immigration versus emigration

Professor Don DeVoretz of Simon Fraser University raised this issue in a paper on the brain drain published in *Policy Options* in 1999. In it, he asks whether the influx of highly skilled immigrants from the rest of the world accelerates the outflow of Canadian workers by keeping wages low. He notes that, while this out-flow is more than equalled by the number of skilled immigrants arriving, the latter are not as productive as the Canadian-educated who left. The resettlement of the newcomers in Canada, moreover, is

costly. His estimate for the 50,578 replacement immigrants who arrived circa 1989-96 in terms of productivity loss, settlement, and educational replacement loss is $11.8 billion. In his paper, Professor DeVoretz also poses the question as to whether the fraction of these resettlement costs absorbed by the Canadian taxpayer would be better spent to entice Canadian professionals back from the United States.

This does not mean that we may not require immigration to fill at least some gaps in the workforce. The Economic Council of Canada concluded, however, that cases where immigration had been used successfully to meet such shortages were rare (*Economic and Social Impacts,* p. 32*)*. One such instance may have been the response to the shortfall of university teachers in the 1960s and 1970. The same may be true for the shortage of doctors and nurses today. There may also be a case for bringing in temporary workers in industries such as construction, which tend to be cyclical in nature. As a general rule, however, it is important that we examine carefully the extent to which anticipated skill shortages can be met from within our existing workforce, with resort to immigration only when clearly justified.

While Canada should continue to be a friendly destination for immigrants, we must ensure that the numbers and qualifications of those who come in fact serve the best interests of the country. As well, we must see to it that they are selected in a manner that provides them with reasonable prospects of employment in the fields for which they are qualified. The fact that significant numbers of skilled immigrants are presently having difficulty finding suitable jobs not only suggests that many of the major gaps in the work force which they came to fill do not in fact exist, but may also discourage well-qualified immigrants from coming here in the future.

Regrettably, the government's immigration goals are based on high numbers (in fact, the highest per capita in the world), which are driven by interests that bear little relation to the well being of most immigrants or of Canada as a whole. **The repeated claim by Immigration Minister Denis Coderre, for example, that in five years we will be short one million skilled workers, is obviously designed to create a sense of urgency that engenders support for unjustifiably high immigration levels.** It is regrettable, moreover, that Statistics Canada, which has traditionally presented its data in a non-partisan fashion, is now being used by the government to put a spin on its releases which support policies of questionable merit.

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About the author

Martin Collacott served for more than 30 years with the Department of Foreign Affairs and International Trade. In the first part of his foreign service career he was assigned to the International Control Commission in Indochina, Hong Kong, Beijing, Lagos, and Tokyo, as well as Ottawa. During this period he also served as the Chinese-speaking member of the Canadian team which negotiated the establishment of diplomatic relations with the People's Republic of China. Later he was High Commissioner to Sri Lanka and Maldives, and Ambassador to Syria, Lebanon, and Cambodia and, at headquarters, Director for Latin America and Director General for Security Services.

Prior to joining Foreign Affairs, he worked in Toronto as a YMCA secretary, with the Ontario Department of Education and for five years in North Borneo as a CIDA adviser responsible for the teaching of English as a second language in Chinese schools. Since his retirement he has been involved in a number of projects in Asia in the fields of human rights, governance, and conflict resolution. His interest in immigration began with his work for the Ontario government, when he was responsible for the teaching of English and citizenship to newcomers throughout the province. He also has a personal interest in the subject in that his parents were both immigrants and his wife is an immigrant from Asia. In recent years he has written and spoken extensively on immigration and refugee issues and has appeared before parliamentary and congressional committees in Ottawa and Washington.

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