How global demographic and economic trends might affect Canada's immigration program

A Report of a Metropolis Conversation
held at Citizenship and Immigration Canada

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Table of contents

Introduction

This report is an analytical summary of the points raised during a Metropolis Conversation that took place at Citizenship and Immigration Canada on December 17, 2012. During this roundtable discussion, the participants, who were from the international academy and the senior ranks of government, explored contemporary global demographic and economic trends and considered their implications for Canada's immigration program, most importantly their effects on Canada's competitiveness in the international market for talent. The event was designed to raise awareness of the trends, their potential to affect the success of Canada's immigration program with respect particularly to its economic ambitions, and to elicit ideas for policy consideration. Because the discussion invoked the Chatham House Rule, this report does not attribute any points to any of the individuals who participated.

The basic themes of the talks were global in nature, highlighting demographic trends, associated economic trends, and how these trends will be manifest in the migration decision-making and behaviours of peoples around the world. Despite the fact that the world's population continues to increase at a rapid rate, with the expectation that the current population of 7 billion will rise to 9 to 10 billion by 2050, this population will be unevenly distributed not only with respect to geographical location but with respect to age. Fertility rates are universally declining, but the decline is now most pronounced in the developed economies of the world, most of whose fertility rates are below that of replacement, (usually considered to be 2.1 children per woman). The effects of declining fertility rates in the developed countries are population ageing and, for some, population growth stagnation or decline. On the other hand, developing countries with high fertility rates have younger and growing populations. Many developed economies are, consequently, facing shrinking and ageing labour forces while many developing economies struggle to employ their rapidly growing labour forces. This situation would seem to set up natural conditions for the migration of the excess labour in developing countries to those developed countries in need of workers. However, an added complicating factor in this oversimplified picture is that many of the developing countries are developing very rapidly and beginning to see their economies re-structure away from low wage labour-based economies to higher wage innovation and science-based economies. The effect of this trend is to increase the overall levels of competition for the supplies of talent that the world has to offer, supplies that will be increasingly limited given global demographic trends. Ultimately, the question for this Metropolis Conversation was "How can Canada remain competitive as a destination for the world's top talent"? The key point to note here is that Canada's competitors are not restricted to other developed countries such as the United States, Europe, Australia, and the like. Competition now comes from such rapidly developing economies as China, India, Turkey, Brazil, and Russia, economies that not only offer employment, but the promise of sustained growth and opportunity. Western developed economies once offered such promise but they have lost some of their shine as their annual GDP growth rates have settled to below the 2.5 - 3% range at best, with some European economies now having fallen back into recession at the time of writing.

1. Global demographic trends, their socio-economic implications, and the implications of both for international migration

The first part of the discussion was occupied with some of the basic relations between economic growth and migration and with some correlations between population dynamics and rates of economic growth. Participants noted the correlations between proportion of global population and proportion of global GDP. In both cases, the shifts over the past 100 years tended to be away from the European, North American, and other countries of the global West towards the developing countries. These countries are now most powerfully exemplified by, but not limited to, China, Korea, India and Russia. In other words, the West is losing its share of both global population and global GDP at the same time. This will tighten the marketplace for talent, especially when one factors in the uneven quality of education in many of the developing countries with young and growing populations.

General push and pull factors

International migration levels and directions are affected by factors in both the homelands and the destination countries, by both so-called "push" factors and "pull" factors. In the most general terms, people move to improve their and their families' lives, whether they migrate for economic, security, or socio-cultural reasons. From an economic point of view, people tend to move from poorer to richer countries where their human capital can be better rewarded. However, comparatively few people move from the poorest countries as migration is simply unaffordable to most in them. It is for this reason that it is common to see emigration rates rise with economic development, as counterintuitive as this may seem. This is sometimes referred to as the "migration hump". As people are better able to afford the emigration option, more of them will take it; this trend will continue until development reaches the point that the homeland can offer a future as bright or brighter than that of the available destination countries.

Demography plays its role in these push factors. Countries with large young populations but comparatively few attractive employment prospects tend to be countries of emigration so long as there are destinations they can enter, either legally or otherwise. Indeed, some countries manage their surplus labour conditions by encouraging their people to emigrate and to remit some of their earnings to their families and communities back home. This has the dual benefit of relieving unemployment problems and alleviating poverty to a certain extent. Receiving societies benefit from the work that the migrants do, particularly if they are legally resident and legally employed in positions that do not displace their own citizens.

Demographic and socio-economic push factors play major roles in determining the motivation to emigrate. Pull factors are significant determinants of the directions of the migration, that is, the countries of destination. These pull factors include the availability of attractive employment, attractive social and physical environments, and policy environments that permit legal entry and the right to employment and other amenities of the society. Although many countries in both the developed and developing worlds offer temporary entry and work visas, very few countries have regular immigration programs that offer permanent residency. However, the number of countries that are easing rules allowing the conversion of temporary to permanent residency is growing, particularly in European countries that are experiencing labour shortages. The same trend is becoming visible in some countries of Asia, especially economically strong SE Asian countries such as Japan, China, and South Korea.

A major pull factor is population ageing and population growth stagnation or even decline in many OECD countries, a factor that motivates increasing numbers of them to introduce more open immigration policies. Countries that have a history of immigration will enjoy a benefit from the magnet or network effect that previous cohorts of migrants have on potential migrants still in the homeland. The presence of family, friends, or simply other co-ethnic residents can sway decisions on intended country of destination. Canada is well-positioned in this regard given its long history of immigration from a wide diversity of source countries. Furthermore, the traditional settler societies (Australia, Canada, New Zealand, and the United States) have tended to attract entrepreneurial immigrants who have provided significant stimulus to the economies of these countries.

The global competition for talent

This is an advantage that is at risk of fading in the face of current demographic developments that will create more competition in the global labour market. As developed societies see their populations and labour forces age and in some cases shrink, they will increasingly turn to international migration to support their economic development, with a particular emphasis on knowledge-based activity. The share of the globe's population that lives in the West has dropped from 33% in 1913 to 17% in 2013 and is projected to decline to 12% by 2050. These bare numbers, however, mask the age structures of the world's population; today, approximately 90% of the world's population aged 15 and under live in developing countries. Furthermore, because many developing countries are seeing their economies grow significantly and offer much more lucrative careers than even twenty years ago, they are themselves becoming magnets for international migrants, including their own expatriates who are returning in increasing numbers. There are, for example, an estimated 600,000 Canadian citizens now living in greater China. The international competition for talent will intensify as both developed and developing countries enter the race.

One significant change in the global demographic landscape that was raised during the discussion is China's shift from demographic dividend to demographic deficit country, and from an economy based on cheap labour to one of higher wages through the development of high-technology and science-based industries. The demographic trends in this country indicate that the one-child policy will have significant lasting effects, in particular with regard to population ageing. Already China has opened itself up to increased return migration and the entry of non-Chinese workers, of both the low skilled and the very high skilled. Participants indicated that, on a long term basis, China and India will offer increasingly attractive packages for high-end workers, while African countries may in time become the new destination for unskilled workers in manufacturing and agriculture. The increased global competition for talent, they argued, will require countries like Canada to focus not only on the demand side, but increasingly so on the supply side of the migration coin.

Canada's situation

For the past three decades, the Canadian system has focused on immigration to fill labour market needs. It was acknowledged that the 2012 Action Plan underpins a flexible immigration system, one that would increasingly be designed to meet labour market needs. The labour shortages are specific and local, something in part addressed through the Provincial Nominee Program and the increase in temporary migration. While this has been a

successful approach to date, the participants considered that in the future a global shortage of skilled labour could require significant changes to Canada's immigration system. Regarding one specific aspect of the program, it was urged that, notwithstanding that attracting investors and entrepreneurs has undeniable benefits for an economy, caution should be maintained when establishing very high financial thresholds for this category of migrants. This may become especially pertinent if new players on the immigration stage, such as China and India, begin to adopt policies that appeal to investors and entrepreneurs in general, and to their diasporas in particular. In order to preserve its status as a preferred immigration destination for entrepreneurial migrants, Canada may need to develop new mechanisms to appeal to this highly mobile migratory population.

Although falling fertility is a positive pull factor given that it motivates more liberal immigration policy, participants warned that it also leads to a worsening dependency ratio, which can represent a negative driver. Worsening dependency rations can lead to elevated income or corporate taxes, which may in turn affect migrants' decisions on specific destinations in part because of the negative impact on their capacity to earn, to achieve a sufficiently high return on their investments, and even to send remittances. Moreover, dropping fertility rates in China, India, Turkey, and other rapidly developing countries, coupled with their strong economic growth, is starting to affect the youth intake in the more traditional immigration destinations. At the global level, fertility rates will remain high only in sub-Saharan Africa over the next few decades, while declining in the rest of the world. Over the past twenty years, Canada has had the fastest population growth rates of the G8 countries. However, this is largely based on immigration, with 7.5 immigrants per 100 people and with a quarter of all births coming from women born outside of Canada.

The contribution of natural increase to population growth in Canada will remain low or negative with continued low fertility rates. This implies a continued dependency on immigration. Statistics show that if the current immigration rate remains the same, the population growth in Canada will be constant; without immigration, natural population growth would become negative by 2020. The demographic trends in Canada also demonstrate that immigration cannot be a full answer to worsening dependency ratios. The share of seniors will increase, regardless of the immigration level; by 2031, the current 5 to 1 ratio of workers to dependents will reach 3 to 1.

Economic growth trends and wage differentials also constitute significant immigration drivers. However, when permanent migration is considered, it is not necessarily the current wage rates that matter in migrants' decision-making, but the expected growth levels over a longer term. The current migrant attracting countries are those that also have high levels of gross domestic product (GDP). The United States, Canada, Western Europe, Australia, and the Persian Gulf states attract seventy percent of the world's migrants. This is a situation different from that of the great historical migration flows during which the rich countries in Europe sent migrants to the new world as well as from patterns six decades ago that were significantly shaped by migration resulting from decolonisation (e.g., migration from India, Pakistan, Taiwan, the Caribbean states, and others). With GDP growth in the mature developed economies being forecast to be relatively modest in the near to medium term and growth rates in some of the more rapidly developing countries continuing to be forecast at much higher rates, migration patterns may shift to reflect the greater potential that might be achieved in these non-traditional receiving countries. Where will prospective migrants see the greatest grounds for optimism in the future: in the West or increasingly in the developing

world? This will be an increasingly important question, one for immigration and economic policy officials' considered attention.

Social integration as a driver

The previous discussion is not to suggest that it is only demographic and economic factors that determine a migrant's destination. Important as they may be, a receiving society's attitudes towards migrants and minorities can also play a very significant role in decisions about destination. Participants discussed how a social and political backlash against immigrants usually registers a lag of about a decade, especially when immigrants, after they have managed to overcome the entrance income penalty, more robustly compete with medium earners (not as pronounced with the high-end earners). Among immigrants, "visible minorities" in particular tend to be the subject of social and political backlash in many developed countries. With increased immigration, of course, comes elevated ethno-cultural diversity and a greater potential for problems with their social integration. If current levels of immigration in Canada stay the same over the next twenty years, the share of foreign born could increase to twenty-seven percent. It is projected that, by 2031, one in three Canadians will be of a 'visible' minority background (with many among them being born in Canada). The geographic distribution of these populations will be concentrated in the large metropolitan centres, with an estimated visible minority population approaching sixty percent in Vancouver and Toronto. Although immigrants are generally very well accepted in Canada, fast-increasing ethno-cultural diversity with pronounced regional differences has the potential to create social tensions. Well-managed integration programming, however, should allow Canada to maintain its comparative advantage over most of the world's destination countries with respect to how immigrants and refugees are received and treated by the societal mainstream. This is not an insignificant advantage; we have witnessed the relative failure of some countries, including Germany and Austria, to attract talent because of their poor reputations for how their citizens treat minorities. Maintaining this advantage is something to which Canada must assign priority in its future immigration strategy.

Countries with a long history of immigration, like Canada, benefit from a head-start due to the ethnic networks already in place. Immigrants preponderantly choose destinations where they can make use of these networks. Participants in this Conversation highlighted that, although a recruitment advantage at the national level, a high concentration of immigrants in large cities can also present challenges to social policy and lead to economic differences among regions. Given the location choices made by immigrants and the fact that immigration is likely to become the sole driver of labour force growth, regional differences could be expected to increase. Participants, however, acknowledged the balancing role that the Provincial Nominee Program and the Canadian Experience Class can play regarding immigrants' geographic distribution.

Besides the pull factors described above, participants also mentioned the environment as a factor that would potentially place Canada ahead of other countries in the competition for talent. The impact of an attractive environment is, however, difficult to assess as there has been little research devoted to this topic.

2. Challenges for Canada and some suggested policy responses

These global demographic and socio-economic trends indicate potential challenges for the Canadian immigration system mainly in the form of an increased competition for immigrants, particularly those with the sorts of skills that advanced developed economies will need in the future. Participants discussed these challenges for not only immigration policy but alluded to economic development policy, international development policy, and various aspects of domestic policy such as concern social well-being and education.

A Competitive Immigration Policy

Competition for the same pool of people is only going to increase over the next decades, with new players from among the previously immigrant-supplying areas. Mega-metropolises like Shanghai, Istanbul, Tokyo, or Moscow will increasingly recruit from the same populations that Canada and other more traditional immigrant countries also target: young people and established professionals. This means more demanding and selective potential immigrants, which underscores the need for competitive and effective immigration policies to attract them to Canada and retain them here.

Although participants acknowledged that countries like Russia, China, and Japan would be labour force immigration competitors in the decades to follow, there was skepticism expressed about their ability to reinvent themselves fully and successfully as destination countries. It is plausible that they would appeal to return migrants, but perhaps less plausible that they can attract significant numbers of non-nationals. There is a crucial distinction in social-cultural absorptive capacity between countries that have historically defined their nationality in terms of ethnicity and geography such as Korea, China, and Japan and those that have not such as Canada and the United States. However, participants reinforced the fact that China, Korea, Japan and other new players are now pursuing immigration programs and openly discussing integration programming and multiculturalism. Canada cannot be complacent on these matters, particularly with respect to the economic outcomes for new arrivals. To keep its advantage in the face of the current global demographic and economic trends, Canada must preserve its name as a top destination where immigrants can capitalize on both economic opportunities and the social and cultural receptivity of the host population.

The following specific points about Canada's immigration system were mentioned as potentially addressing some of the challenges posed by current global demographic dynamics:

- *Immigration for increased productivity*. Discussants appreciated placing a premium on immigrants who can trigger economic growth and also bringing in unskilled labour needed in the context of an aging population. However, in order to retain the highly mobile professionals for the long term, effective economic and social incentives that specifically target this category, including proactive integration measures within the first five years upon arrival, will be needed.
- *Immigrant self-selection*. An ideal immigration framework would allow a wide range of people to come in, but would grant permanent residency only to those who would prove successful. However, it was stressed that every migrant needs to see the option of permanent residence as a long-term incentive. If there is no possibility to stay for the longer term, migrants may opt for another destination. In the context of increased global

competition, an easily obtained multiple-entry visa would be beneficial for both the host country and the migrants.

- *Diaspora and citizenship measures*. Given the increasingly common circularity of migration patterns together with the context of an increased competition for talent, it was suggested that policy should begin to address the Canadian diaspora abroad such that Canada could prosper from Canadian citizens living outside the country, especially in rapidly growing economies. Some argued that the recently introduced limitations to conferring Canadian citizenship abroad may not be beneficial to Canada and suggested a reconsideration of the policy decision. Even though the participants acknowledged that it is difficult for a multicultural country to have diaspora policies (given the ethno-religious designation of the concept), it was emphasized how diaspora are potentially a resource to be tapped by the mother country.

  It was noted that Canada has an advantage over many other countries by recognising multiple citizenships. Moreover, bilateral agreements on dual citizenship were suggested as a potential way to respond to circular migration. For example, although the rights that accrue from citizenship need to be general for everybody, those citizens who do not pay into the social welfare system might only enjoy citizenship with basic benefits. Although citizenship can serve as a significant attraction, it must be kept in mind that the most highly mobile are often those at the top of the skills ladder. Those with more modest skills tend to be less mobile and therefore more likely to stay in countries that offer them permanent residency and citizenship.

- *Growth in the foreign student population*. The fact that the number of foreign students in Canada is on the rise keeps Canada in the global competition for talent, but significantly behind the United States, Australia, or the United Kingdom. China and Japan are emerging as new players on the foreign student market and, in order to remain competitive, Canada needs to continue to offer permanent residency incentives. However, participants noted the need for attention to the kind of skills needed in the labour force and the necessity to match education, including for foreign students, with employer demands. The participants in this Conversation also raised the example of Germany's investment in apprenticeship programs that are open to foreign students. Canada could consider expanding its avenues for foreign students to include more in the vocations and trades where Canada is experiencing shortages.

International Development Policy

Migration management is a complex process, which merits consideration of socio-economic and political issues not only in the destination countries but also in countries of origin. Participants provocatively asked: where does immigration policy end and other portfolios such as trade, foreign affairs, education, and development begin? It was noted that the international migration community, through such fora as the Global Forum on Migration and Development, is placing greater emphasis on the effects of migration policy on both sending and receiving countries and is seeking policies that offer benefits to both. Canada has an opportunity for leadership here because of its strong record on migration and integration management.

For example, ninety percent of the world's population under fifteen years of age, and hence an important labour force cohort, are living in developing countries, many of which lack a strong governance or education capacity. It was suggested that developed countries,

including Canada, make investments outside the normal recruitment areas, in order to secure tomorrow's workforce and to prevent uncontrolled population movements as well as in the interests of development assistance. To have a comparative advantage over other countries in the future competition for talent, participants indicated the benefits of Canada investing in education and in building the governance capacity of states in Africa and South Asia, while also offering educational support and scholarships to draw young people to Canada and encourage them to take up permanent residence after graduation. The United States, it was noted, achieved an enhanced global position during the Cold War in part through opening its universities to foreign students.

Other items of Domestic Policy

This *Metropolis Conversation* focussed on how Canada's immigration system can meet the challenges associated with current global demographic and economic trends. However, several issues were brought forward as relevant to areas where immigration policy would only be partially successful in addressing these challenges.

- *Labour Market*. The immigration option was called into question as the only model that can address the labour market implications of current demographic trends. Attention was drawn to some of the underutilized potential in the domestic market, for example the Indigenous populations and new graduates, as complementing immigration for labour force purposes. Efforts to match and to improve the entrance to the labour market of Canadians, before resorting to immigration, were highlighted with a sense of urgency. This was a recognition of the traditional advice that labour immigration should bring complements and not substitutes to the country's labour force. Moreover, participants drew attention to the host of factors that may keep people in the labour market for a long time, delaying retirement, which influences the dynamics of labour market demand.

  The main idea was that countries should always consider domestic labour policy in tandem with immigration policy in order to find solutions that use immigration as an effective complement to the labour market. Canadian youth were highly emphasized, particularly as so many are now having difficulty entering the labour force. Also, of paramount importance is the successful social and economic integration of visible minorities, in particular youth, whether they are born in Canada or not. One participant proposed that successful integration is reached when there is no longer a need to measure visible minorities.

  With more competition for talent globally, an equitable job market will play an increasing role in determining immigration destination choices for professionals. Canada benefits from a supportive policy environment in this respect; however, the complex issue of the recognition of foreign credentials, remains a challenge, one that is receiving increasing government attention. Success in this and the related matter of experience in the Canadian workplace would place Canada in a superior position to many of its competitors for the established professionals trained elsewhere.

- *Quality of Life*. According to OECD data, Canada fares better than most other well-developed countries in the world in the current global economic context. This puts it at an advantage for temporary labour migration. On the other hand, permanent immigration plans include generational considerations. The 2012 Canadian Index of

Wellbeing Report, as well as statistics on aging demographics, indicate that future generations may not enjoy the same quality of life in Canada; this may affect the rate at which people with a high professional and human capital choose to immigrate to Canada. Declining quality of life could trigger higher rates of emigration or return migration from Canada, especially within the active workforce.

Maintaining a high quality of life domestically is essential for attracting established professionals and youth. In this respect, Canada must address unemployment among domestic youth and immigrants and the widening gap between very high and low-income earners.

- *Fertility*. While on a short-term basis immigration may keep the population growth rate consistent, discussants appreciated that, in the long run, it cannot overcome low fertility or the ageing of the population without massively increased numbers of immigrants. For the current age structure trends to change, birth rates would need to increase, but this has been a policy area where little success has been achieved anywhere in the world.

3. Conclusions and tentative recommendations

Canada has not had problems attracting immigrants so far; on the contrary, the issue has been how to limit the number of people coming in. This may seem reassuring, but the global demographic dynamics underpin an increasingly competitive environment for two categories of migrants: youth and established professionals, scientists, and high technology specialists who are able to contribute to innovation, entrepreneurship, and the continued modernization of the Canadian economy. Canada will need to take a more proactive approach to immigration in the future, one that recognizes that we are entering a new competitive era for both attracting and retaining the world's talent.

Participants in the Conversation agreed that Canada could maintain the current immigration levels, which help with the demographic deficits and workforce shortages, but must begin to focus more on the supply side of the immigration coin, which represents tomorrow's competition field for youth and established professionals. In view of the global demographic trends, new, mechanisms to appeal to these most sought-after migrant categories may need to be put in place. The following policy measures and approaches were considererd to ensure that Canada has a leading edge in the rapidly emerging competition for talent:

- Enhancing self-selection more effectively, by allowing a wide range of people to come in, but limiting permanent residency only to immigrants who prove successful;
- Employing easily obtainable multiple-entry work visas and keeping the option of permanent residence as a long-term incentive;
- Increasing productivity by placing a premium on immigrants who can trigger economic growth and also bringing in lower skilled labour needed to support an aging population;
- Offering increasingly attractive packages for high-end workers, including proactive integration measures within the first five years upon arrival, to boost retention of this highly mobile immigrant category;
- Continuing the Provincial Nominee Program and the Canadian Experience Class to address local specific labour force demands and the imbalanced geographic distribution of immigrants;

- Using the Canadian diaspora abroad through specific policies that would engage Canadians living outside in the economic well-being of our country;
- Continuing to recognise multiple citizenship, as well as implementing bilateral agreements on dual citizenship as a way to respond to the circular patterns of migration;
- Increasing the number of international students, by continuing to offer permanent residency incentives and by considering opening education spaces for vocational training to foreign students for work purposes after graduation;
- Matching education, including for foreign students, with the domestic workforce demands;
- Investing in education and in building governance capacity in Africa and South Asia (tomorrow's youth pools), while also offering education support and scholarships to draw young people and encourage them to take up permanent residence after graduation in Canada;
- Building up the social and cultural receptivity of the host population, as well as employment equity, by substantiating multicultural policies and tackling job market prejudices, in order to prevent a social and cultural backlash to increasing diversity.

Notwithstanding the importance of the immigration system in addressing demographic challenges, it was agreed that migration alone cannot be a sustainable solution to the social-economic implications stemming from demographic trends. Small countries can have a niche strategy (e.g., by trying to control the demand side, by letting the employers choose) and discussants suggested looking at the strategies of Sweden or New Zealand for insights. (Canada is, of course doing so, especially with respect to New Zealand's approach to migration management.) It was also urged that, in order to retain its international appeal, Canadian policy makers also think of a Canada that would do well economically without immigration. In this respect, capitalizing on the talent already at home and tackling high unemployment rates among Indigenous peoples, youth, and graduates was put at the centre of considerations for keeping the country appealing from a broad economic point of view.

Policy makers in Canada have traditionally focused on what the most effective and sustainable level of immigration is. Most economists who study international migration are in general agreement that the current level is appropriate; policy does not alone determine the flow, but over time it reflects a balance between push and pull factors. The challenge is to maintain the appropriate immigration numbers and the quality of those who enter. Participants showed that most models of international migration do not include policy as a variable, or, at the most, they include it as an endogenous variable. However, given the increased global competition for talent and Canada's particular socio- geographic and economic contexts, participants concurred that policy will indeed have an impact on Canada's competitiveness. Recognizing the new mobility is key, and incentive-based policy will have a stronger place in determining the outcomes of the global competition for talent. Canada needs to take full advantage of its currently competitive position and this means being fully cognizant of the challenges that the future holds.