

**The Economic Case for Immigration -  
The Manitoba Provincial Nominee Program**

**Kirsten Ryan  
Masters of Public Administration  
Joint University of Manitoba / University of Winnipeg Program**

**Public Policy Issues**

**Prof. L. De Riviere  
Department of Politics, University of Winnipeg  
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## **Summary**

This essay does not ask whether or not we need immigration - that is a separate question - but instead asks two core questions about Manitoba's Provincial Nominee Program. First, is the program serving its original intent? In other words, are actual labour market needs viably connected to the immigrants who are chosen by the program, ready to work within the skill set that brought them to Manitoba in the first place? If they are not, what, if any, economic penalties are imposed and upon whom? Some possible economic effects upon the local economy and upon the migrants themselves are discussed.

The second question that is posed is the wisdom of relying on immigration to solve the issues attached to that of an aging population, such as who will care for our aging society, and how diminishing numbers of workers will be able to bear the financial burden of doing so, if they are the only solution to this problem.

Current ideas around demographic trends and the long-term implications for Manitoba and Canada suggest that immigration alone will never work. Increased productivity, changing retirement age, allowing pension contributions past 65 are ideas that should also be considered. This essay does not seek to criticize the program per se, but rather to question the policy that appears to suggest that immigration is 'the' answer to the problems looming, rather than one of a suite of tools that should be used together, and perhaps even equally.

## **Introduction**

Today, the word ‘immigration’ is nearly synonymous with ‘economy’ and this is certainly the case in Manitoba’s much touted Provincial Nominee Program (MPNP). Across the country there is nearly weekly news reports on some issue related to immigration – either low unemployment levels, high demand for skilled labour, or fears related to aging workers – and they are fears. At least, when presented to the media consuming public, the *need* for ever more immigrants is a consistent drumbeat – whether advanced by business or government.

This discussion will look at the MPNP and immigration in general, from an economic perspective, and review the objectives of the program, with a view to critically assessing the outcomes of this strategy against the economic and population drivers that propel the program. Included will be a discussion of the concept of ‘skilled’ labour, low unemployment figures that drive the need for immigrants, and how this might be interpreted against trends in population demography. Finally, the effects of the skilled labour market upon the immigrants who arrive in Manitoba will be examined using a Pigouvian scenario. Facts and figures about Manitoba’s immigration numbers will be drawn from the most recent report produced by the Government of Manitoba entitled Manitoba Immigration Facts 2006 Statistical Report (available year by year on the Manitoba Labour and Immigration website) unless otherwise noted.

## **Manitoba’s Action Strategy for Economic Growth – the Objective**

In 2003, Manitoba’s government released a 7-point plan for economic growth, which included immigration as one of the pillars of this growth strategy<sup>1</sup>. Manitoba is committed to

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<sup>1</sup> Report available from [http://www.gov.mb.ca/finance/budget07/economic\\_strategy/peac.pdf](http://www.gov.mb.ca/finance/budget07/economic_strategy/peac.pdf)

immigration as an economic driver and has set a target of an additional 1,000 immigrants per year, so that they will have 20,000 new immigrants annually by 2011. With unemployment rates recently reported as hovering at 3.8%, the need for more workers appears to be self evident<sup>2</sup>. But are Manitoba's labour market needs *viably* connected to its immigration selection system? Are we really selecting the right people to fill these 'skilled' jobs upon their arrival? And just what does 4% unemployment mean? While the MPNP may appear to have an impressive success rate at outputs, it is outcomes – for the migrants and for the economy of Manitoba - that need to be considered. To understand the immigration selection system a brief description of the program is needed.

### **Overview of the MPNP**

The MPNP is a points-based system (similar to the federal Canadian government's selection scheme for economic migrants) that awards more points to migrants with higher education, longer years of work experience, English language ability, age, confirmed job offers, local family connections etc. Introduced in 1998 as a pilot project, the MPNP has grown and was revised in 2004 to provide **5 'streams'** by which potential migrants could apply. These are Strategic Initiative, Employer Direct, International Student, Family Support, Community Support, and one 'catch-all' stream designed to provide a mechanism for those who do not fit into the others – aptly named the "General" stream. Like the federal system, the MPNP is designed to screen in the wealthy and skilled (more desirable for the needs of skilled labour), and screen out the poor and unskilled. Manitoba pioneered the first nominee program and initiated

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<sup>2</sup> Statistics Canada Labour Force Survey January 2008, released February 8, 2008

labour market agreements with the federal government to give them greater control over selection of immigrants bound for Manitoba. It was felt that they would better be able to determine which potential migrants would be suited for long term settlement (networks, community, and family) **and** fit the needs of the Manitoba economy. This is a reasonable goal and the program as created is a good idea. While the Canadian federal skilled worker scheme sets minimum points for entry at 67<sup>3</sup>, Manitoba sets minimum points at 55, however they do retain the flexibility to deny those who meet that criteria, or extend an offer to those who do not.<sup>4</sup>

Given the consistent rhetoric around the need for ‘skilled’ labour, one might be lead to assume that the Employer Direct stream of the MPNP would have the largest number of nominees and would be a good indicator of what types of skills are currently needed in Manitoba. Unfortunately, the Manitoba Government does not publish this data so we could easily measure how many immigrants enter that stream. While any immigrant who arrives through the MPNP is considered an ‘economic class’ migrant by federal definition (as opposed to family class or refugee) in fact many of the provincial nominees could have arrived within the ‘community support’ stream, or the ‘family support’ stream. This is an important distinction because of the connotations attached to ‘economic migrant’ that are vastly different than those attached to ‘family class’ migrant. What is known is that of the 10,051 immigrants who arrived in 2006 only **2,255 were principal applicant nominees (PAs)** who would be distributed within the six streams of the nominee category. The other 4,406 were the dependents and/or spouses of

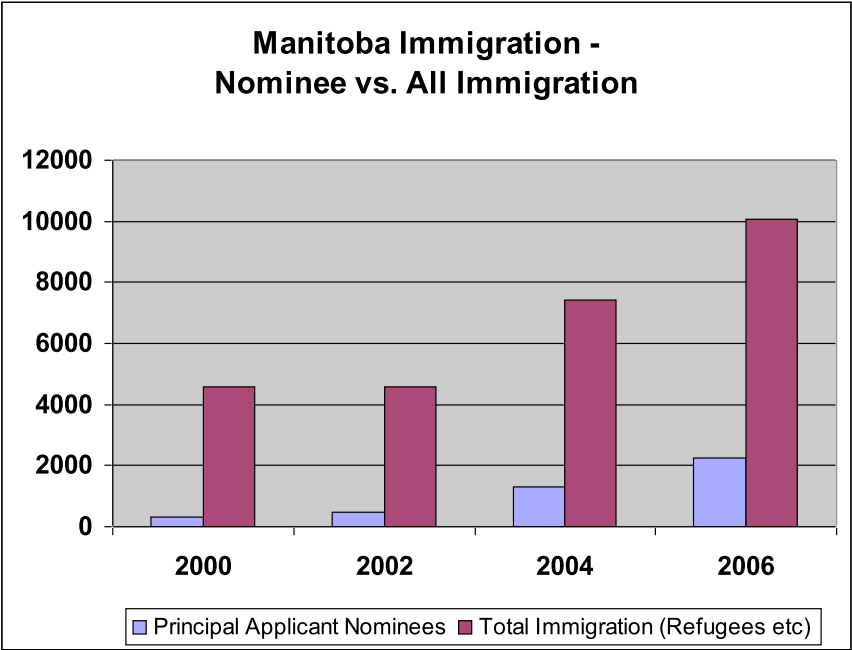
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<sup>3</sup> Citizenship and Immigration Canada, March 31, 2007, <http://www.cic.gc.ca/english/immigrate/skilled/apply-factors.asp>,

<sup>4</sup> MPNP Application Booklet, [http://www.gov.mb.ca/labour/immigrate/asset\\_library/en/pnp/pdf/app\\_kit\\_final\\_30aug06.pdf](http://www.gov.mb.ca/labour/immigrate/asset_library/en/pnp/pdf/app_kit_final_30aug06.pdf)

the PAs, with the remaining numbers being refugees, live-in caregivers etc. Dependents or spouses of nominees do not have to meet any criteria for acceptance – they may or may not also have educational and work related skills that are sought after. Let’s say, for example, that out of the 2,255 PA nominees, only 349 were Employer Direct stream. How different would be the outcomes of the program then, versus, say, 4,000 nominees entering through that stream? The effect of the program could be much more pronounced on the labour market. What is at the heart of this discussion is - how many of Manitoba’s nominees are really more like federal family class migrants than the so-called highly skilled labour?<sup>5</sup>.

While the program was started in 1998, the first nominees did not appear until the period between 1999 and 2000. A chart has been provided showing data from every other year for comparison:



*Figures compiled from Manitoba Labour and Immigration Annual Statistical Reports  
Principal Applicant Nominee figures do not include any spouses or families*

<sup>5</sup> See Jiménez, M, December 12, 2005, Is the Current Model of Immigration the Best One for Canada?, *Globe and Mail*

Benefits of this system lie in its ability to exclude those who don't meet a given criteria, such as language, education, or wealth that fit within the economic needs of the province. Criticisms state that meeting the high education and work experience criteria does not equal economic success for the migrant, or filling the vacant jobs that need skilled labour, despite the 'cherry picking' of immigrants for the 'best and brightest'. Critics have suggested that the points based system rewards the highly educated, while the Manitoba economy offers mainly low skill/low wage labour for the newcomers – needed to do what locals won't. University educated immigrants are understandably not keen on cleaning jobs or fast-food service work. Yet those of lower educational attainment might be more accepting of such employment are not able to qualify. Central to the question is what are the immigrants in fact employed at once they arrive in Manitoba? For example, if we look at the newcomer occupations listed in the Manitoba report, engineers are listed as the top 1 or 2 occupations for the 2004-2006 period (129 in 2006, of all combined engineer disciplines)<sup>6</sup>. However, if the report is to be understood correctly, these are *not vacant jobs that immigrants have filled*, but rather, skills they have brought with them that allow them to be identified as engineers. The difference is key. The lack of 'Canadian' experience has proven to be biggest roadblock to immigrant employment, no matter how accomplished is the education, skill, or language level of the immigrant. At a job fair in Winnipeg in fall of last year, two such engineers (one with over 10 years experience) attended a job fair for immigrants and spoke about their hopes to obtain entry level employment, long having since given up the idea of working as an engineer.<sup>7</sup> It was reported that there was so

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<sup>6</sup> 2006 Manitoba Immigration Facts 2006 Statistical Report, page 17

<sup>7</sup> CBC "Winnipeg Job Fair Targets New Immigrants", available from <http://www.cbc.ca/canada/manitoba/story/2007/10/30/job-fair.html>

many immigrants who attended that they needed to organize another fair in a much larger venue. Indeed, a fair has been organized for March 26<sup>th</sup> in the Fairmont Hotel, as per a posting on the LIM website. A survey of the employers who plan to be present sees a preponderance of service work and call centers, with four Manitoba government departments and the City of Winnipeg (See Appendix A). One wonders how many actual careers may be available for newcomers through the City of Winnipeg, given that there are virtually no job postings on their website for even locally-trained, Canadian-experience-having with fluent language skills. There is greater hope for immigrants through the Province of Manitoba for higher wage employment. Yet given the difficulties that immigrants report in obtaining employment at least partially commensurate with their training and education, to what extent are provincial government departments present at the job fairs merely there to support the MPNP through a ‘goodwill campaign’ of encouragement as opposed to actual job openings?

### **MPNP Outcomes**

There appears to be a disconnect between skills needed and why the skilled whom are brought in by the program are not employed by local firms. The reason is always ‘lack of Canadian experience’ or language skills. Yet the MPNP is supposed to select those who **are able to be** employed locally. So, is the MPNP not selecting the right people, or is the government unwilling to take up the issue with employers? The specter of discrimination, protectionism, and even racism loom buried within these discussions, especially given the trend away from ‘traditional’ northern European source countries, and towards Asian and African migrants, however it is too large for the scope of this paper. Suffice it to say, concerns about knowledge

could easily be answered by allowing newcomers to take the necessary exams, in English, in a given discipline or company in order to demonstrate core competencies and ability to communicate in English . However, most regulated occupations deny this route to newcomers, whose only option is to completely retrain. This is, if they can get into a university training spot against other Canadian-born. But the Canadian experience barrier is not only faced by the regulated professions but by many newcomers with more general and therefore more adaptable education. Why is this happening? Aren't immigrants needed for our economy to prosper? Isn't the lack of immigrants and labour holding us back economically? The answer might be yes, and no.

### **The Immigration Cash Register – Who is at the Till?**

DeVoretz and Pivnenko (2004) attempt to examine the value of tax contributions of immigrants versus their use of goods/services by comparing their consumption rates. While their study presents quite different pessimistic vs. optimistic outcome scenarios, they summarize by stating that overall, foreign-borns consume more than they contribute in the **form of taxes**. However, they also acknowledge that their study does not factor in the (very significant) costs of education that are 'tax subsidies' that the foreign born bring with them, whereas Canadian born are educated at a very high cost to the economy in our heavily subsidized education system. Further, foreign-borns arrive after many years of expensive early year's health costs have been borne elsewhere. With this discussion, one wonders then how much of Manitoba's economic wealth is squandered by further spending in the costly re-training of so many newcomers, and/or by discounting the education they bring with them, all while we continue to spend additional

resources to bring more immigrants to fill these ‘skilled labour shortages? While there is no doubt that some learning curve is needed to adjust to, say, new or unfamiliar workplace equipment, or even Canadian workplace behavior mores, why this cannot be accomplished with much cheaper and shorter apprenticeships or mentoring programs – especially given the high level of education of Manitoba’s points-based chosen immigrants. These are individuals who have been chosen because they are educated, and therefore have a strong ability to learn and adapt.

Like all economic migrants, successful MPNP applicants must bring a minimum of \$10,000 with them, and an additional \$2,000 per dependent/spouse, (while many may bring more) in order to demonstrate their self-sufficiency as they will not be entitled to employment insurance as a stabilizer.. If we apply these minimum dollar figures to only the nominees (using 2006 figures) which represent 66% of the total (13.5% are Family Class, 12.3% are Refugees, and the rest are other smaller categories and not included in this calculation), then we have \$10,000 x 2,255 principal applicants (\$22.55M) and \$2,000 x 4,406 dependents (\$8.8M) for a total of **\$31,362,000 Million / year**<sup>8</sup>. This calculation is crude, to be sure, but provides a starting point for discussion in light of Manitoba’s quest for 20,000 migrants annually. It should be noted that this figure does not include immigrants from the Business Nominee class (only 12 reported in 2006<sup>9</sup>), who must bring a much larger amount with them to demonstrate that they are planning to invest in and employ Manitobans through a business or investment. But if we look at those figures, even if they only made the mandatory \$75,000 cash deposit, in 2006 these 12 individuals would have contributed **\$900,000 in cash**, with an additional equity investment requirement of

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<sup>8</sup> Nominee numbers and dependents drawn from page 7 of the Manitoba Immigration Facts 2006 Statistical Report

<sup>9</sup> Approved Business Nominees are required to have a minimum personal net worth of \$350,000, commit to a minimum equity investment of \$150,000 in Manitoba, provide a minimum of \$75,000 cash deposit to the Government of Manitoba as a guarantee (refunded upon arrival) among other requirements. For details See LIM webpage <http://www.gov.mb.ca/labour/immigrate/pnp/business/index.html>, accessed March 23, 2008

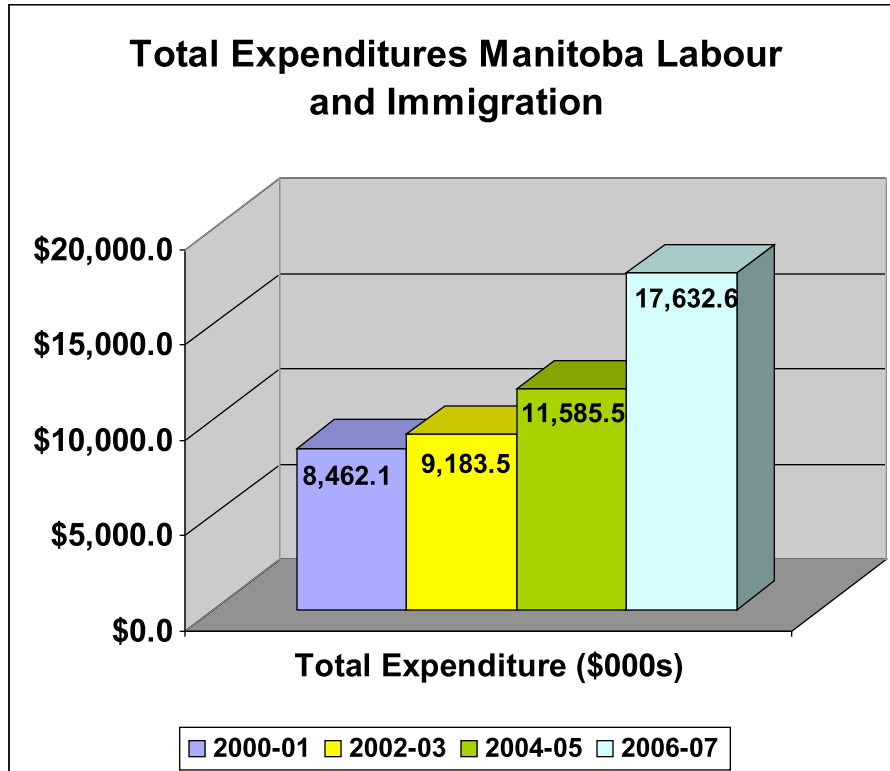
\$150,000/per, totaling **\$1.8 Million**. This does not factor in the \$350,000 of personal net worth that they must demonstrate they have in order to gain entry. These figures are only from 2006, and not reported in any official government documentation.

While the money that is required of immigrants to bring with them is to (rightly) ensure that they are self-sufficient, it also may generate demand within the economy. According to a recent Manitoba Economics Highlights report (March 11, 2008), housing starts in Manitoba increased 14.1% (3<sup>rd</sup> highest in Canada) and that in 2007, retail sales increased 9.4% - above the 5.8% increase for Canada as a whole (tied for 2<sup>nd</sup> highest in the provinces). This is significant given Manitoba's size relative to other provinces. In 2007, furniture and appliance stores (15.7%) lead the growth<sup>10</sup>. When this is considered against the immigration numbers it is not surprising. Whether or not these figures alone are demonstrative of a 'healthy' economy is debatable if only driven by demand due to new immigrants who need fridges and stoves, and the like. So, while businesses decry the need for 'skilled labour' they are enjoying the demand that raw numbers of newcomers must create.

The Manitoba government for its part is indeed investing into the immigration file and is not merely charging immigrants an entry fee. Using figures compiled from the Departmental Annual Reports we can see that the financial investment into Immigration has grown considerably:

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<sup>10</sup> Report available from <http://www.gov.mb.ca/finance/reports/pdf/highlights.pdf>



*Figures compiled from Manitoba Labour and Immigration Annual Reports*

According to Manitoba’s Settlement Portal, supports include language training and assistance with employment among other supports. While the list is exhaustive, and the scope of this paper does not allow for investigating how much funding is attached to each settlement support, the scope may be appreciated from Appendix B. Funding for these supports is provided through the Manitoba Immigration Integration Program (MIIP), although funded jointly by the governments of Manitoba and Canada<sup>11</sup>. The need appears to be great. According to Manitoba Immigration Facts 2006 report 52.4% of immigrants have English language ability, and 2.6% have French language ability (p. 15). This means that in 2006 alone there were **4,511 individuals** who arrived speaking **neither English nor French**. These percentages appear to be

<sup>11</sup> MIIP Program details, <http://www.gov.mb.ca/labour/immigrate/eal/funding.html> , accessed March 23, 2008

relatively constant when other years are examined in the same report. Considering that language ability takes many years to acquire, this represents a significant long-term investment on the part of the province into immigrants who cannot contribute to the economy by working. Or can they? If Manitoba is indeed ‘cherry picking’ by way of its points scheme, and if our nominee program screens people for language, why so many immigrants (close to 50%) without English or French language ability? Naturally there are family concerns – we cannot expect migrants to move here permanently and leave their families at home. Still, we have to ask critically if the MPNP is choosing people who can be successful here.

There are frequent funding initiatives, often in partnership with other government departments (such as Industry, Economic Development and Mines, or Education & Literacy, etc) or other levels of government entirely and thus it is difficult to ascertain the total aggregate amount that goes into immigration supports in Manitoba that may be over and above the department expenditures found in the annual reports<sup>12,13</sup>. The number of applications to the MPNP has risen from 400-500/annum to over 500/month, ostensibly requiring additional labour<sup>14,15</sup>. As well, the Department of Manitoba Labour and Immigration (LIM) engages in promotional visits to Europe and other countries to promote the Provincial Nominee program and encourage applicants.

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<sup>12</sup> For example, see PROVINCE ANNOUNCES \$1 MILLION FOR INTERNATIONALLY EDUCATED ENGINEERS QUALIFICATION PROGRAM AT THE UNIVERSITY OF MANITOBA  
<http://news.gov.mb.ca/news/index.html?archive=week&item=2309>

<sup>13</sup> Also, see Successful Provincial Nominee Program Adds Farm Component, <http://www.gov.mb.ca/chc/press/top/2005/02/2005-02-08-02.html>

<sup>14</sup> However, if understood correctly, the Manitoba Labour and Immigration Annual Reports to Finance show an increase from 40 to 45 FTE next to the salary expenditure lines, which is a modest increase in staff

<sup>15</sup> Personal communication with author during research project for LIM as part of requirement for Theory and Practice of Public Administration MPA course (Prof. P. Thomas), 2006-2007.

Finally, there are significant costs (social and financial) that are imposed upon the migrant and/or their families with respect to housing. While it may be true that many migrants enjoy moving in with their extended families who already live here in Manitoba, it also relieves the government of the responsibility to ensure adequate housing for newcomers – a significant concern in Manitoba with such low vacancy rates that make housing difficult to find. A review of the Fall 2007 Canada Mortgage and Housing Corporation's Housing Market Outlook for the Winnipeg CMA is instructive: in 1998 apartment vacancy rates in Winnipeg were 6%. In 2008, the vacancy rate is possibly the nation's lowest @ 1.2%. As well, the average cost of new single detached house has also doubled in the last 10 years, from \$150,000 in 1998 to \$300,000 in 2008. To quote from the report:

*“Despite Winnipeg's multi-decade low vacancy rates, new rental construction has been virtually non-existent for several years. In fact, Winnipeg has had a declining universe of rental units every year since the peak in 2003, losing 1,539 units, or three per cent from October 2003 to April 2007”.* (p. 4)

Inability to secure housing can lead to tensions within family groups, who may be happy to help relatives get adjusted but may not be prepared to deal with the tensions of long-stay guests who cannot find housing of their own. Certainly landlords are benefiting in the ability to charge higher rents due to the enormous demand, and housing costs enrich builders. Migrants without family to provide a roof over their head will find their savings eaten into quickly while they live in hotels searching for elusive apartments and houses. The Manitoba government did previously provide a temporary housing facility (Sonja Roeder House) that was run by the International Center, and where migrants could rent a room and board for reasonable fees while

they searched for housing. This facility was closed and the Manitoba government websites directs newcomers to obtain housing in hotels, motels, and bed and breakfast facilities.<sup>16</sup>

So we can see that immigration contributes significantly to the economy while simultaneously draining it. It is hard to tell who is putting the money in and who is taking the money out of Manitoba's 'immigration till'.

### **The Concern about Low Unemployment in Manitoba.**

According to the February 8, 2008 Labour Force Survey unemployment in Manitoba was 2<sup>nd</sup> lowest in Canada (behind Alberta) at 3.8%<sup>17</sup>. This low figure is hailed as proof of our strong economy **and** the need for greater immigration to allow economic growth which is (ostensibly) curtailed by the limits of available skilled labour. Since need for skilled labour is what is driving the MPNP, it is worth taking a moment to attempt to define it. A Google search of the term returned over 800,000 hits, but when a search was employed for a *definition* of skilled labour, no pages were returned at all. So we have to ask – what *is* skilled labour anyway? Gingras and Roy shed some needed light on the normative notion of a 'skill gap' as dependent upon the choice of benchmark (2000). They provide an clear example: if Canada decides that it should be a biotechnology leader, and therefore should have a larger number of jobs in microbiology relative to other countries, then as "...long as this goal remains unfilled, we would have a 'skill gap' under this definition"(p. S161). They go on to remind the reader that normal economic and business cycles mean that at various time there will always be some unfilled jobs due to

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<sup>16</sup> Sonja Roeder House was located at 271 Archibald Street in Winnipeg. The exact date is not known to the author, but it was open in 2000, and closed perhaps 1 or 2 years later. It was never replaced with any facility.

<sup>17</sup> Statistics Canada, February 8, 2008, The Daily, Latest release from the Labour Force Survey, available from <http://www.statcan.ca/Daily/English/080208/d080208.pdf>

technological advances, economic upturns or downturns at any point in time across all sectors. They also take pains throughout the article, and in their conclusions, to state that “It is also important not to confuse a shortage of *skilled* labour with a labour shortage” (p. S161, emphasis in original). They strongly support their argument that Canada is **not** experiencing a skilled labour shortage by pointing to the high education levels of the Canadian workforce compared (favorably) to other OECD countries. They further deconstruct the Canadian Federation of Independent Business’s complaints of lack of skilled labour by noting that 75% of their members indicated that high wage demands or government income support programs were *a source of competition*, and thus were the reason for their hiring difficulties<sup>18</sup>. As well, they (rightly) observe the notion that most bosses will always find the need for skill improvement in their employees, no matter highly skilled they might be. In other words, bosses are not likely to state that their employees do not need to have any additional skills.

In their piece, Roy and Gingras also draw upon the Business Conditions Survey of Manufacturers Opinions about production difficulties and its relationship to labour shortages<sup>19</sup>. While it is important to note that their piece was written in 2000, a look at the Business Conditions Survey published more recently (1998 to 2006) supports their assertion. In fact only between 2 and 10% of manufacturers, (reporting quarterly), stated that skilled or unskilled labour shortages contributed to production difficulties. However, in 2007 and the first quarter of 2008 it is noted that these percentages do climb to a high of 16% in the 4<sup>th</sup> quarter of 2007 for skilled labour, and 6% for unskilled Labour<sup>20</sup>. Still, it is unclear to what extent these difficulties are

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<sup>18</sup> See CFIB “Help Wanted. Results of CFIB Surveys on the Shortage of Qualified Labour, February 2001

<sup>19</sup> Produced by Statistics Canada

<sup>20</sup> Statistics Canada, CANSIM Table 302-2007

being reported because of a heightened awareness of the ‘skilled labour shortage’ as a popular drumbeat, versus an actual lack of workers who are 1) willing to learn and 2) willing to stay at the firm - attributes also reported by the same CFIB Survey as being among the top ‘skills’ sought by firms. If willingness to learn and loyalty are top sought after skills by business leaders, why are so many immigrants with high education turned away due to ‘lack of Canadian experience’? It was common practice in many manufacturing and trades environments to spend first years working as an apprentice – on the job training – earning wages while learning and contributing to the economy. Certainly from this survey, there appears to be an expectation from the business community that ‘skilled workers’ will arrive with top Canadian experience in tow and ready to work loyally at entry level wages.

Let’s turn back to the 3.8% unemployment figure in Manitoba. Rosen et al provide an instructive discussion of how to critically examine employment vs. unemployment rates<sup>21</sup>. They caution us that ‘true’ unemployment rates are difficult to measure as it is based on who is included (participation rate) and does not discuss those who may have ‘given up’ looking for a job (discouraged workers for example). These are considered ‘not in the labour force’, among other groups such as retirees, students, etc. The unemployment figure alone is not all that revealing, given that there are a number of complex social factors that can influence the figure, such as how individuals self-report their employment status. Rosen et al point to Gower’s study of **hours based unemployment** and how it demonstrates that “hours based” unemployment rate exceeded the official unemployment rate by 15% for men, and 40% for women. Gower explains that in Canada there are in fact nine different calculations of unemployment, however only the

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<sup>21</sup> See Chapter 11, Rosen et al, (2003) “Unemployment Insurance”, in Public Finance In Canada, 2<sup>nd</sup> edition

“R5” version is reported as the ‘official rate’ in the Labour Force Survey, published by Statistics Canada on a monthly basis<sup>22,23</sup>. This is not to criticize the work done by Statistics Canada, but rather to highlight that, like all things, the ‘devil is in the details’ and that there are many ways to measure this complex issue. In both Gower’s (1990) and Devereaux’s (1992) work we see that the R8 hours-based figure, which considers unemployment based on the *number of hours worked* (able to measure **involuntary part-time**, for example) consistently produces an unemployment rate **2-3% higher** than official figures.

This is not surprising, given the trend in modern ‘flexible’ economies towards part-time insecure work and away from more expensive, benefit-paying full-time jobs. Manitoba is no exception to this trend. While native-born workers have the benefits of social networks and ‘Canadian experience’ to help them avoid low wage/low-skill/part time work, immigrants do not. As well, should they lose full time employment, and native-borns have access to Employment Insurance (EI) while they look for other full time employment. New immigrants to Manitoba are not allowed to access this income stabilizer, and thus to protect their finite savings they must immediately get employment. As the door often shuts to those without ‘Canadian experience’, the only door that remains open is the low-wage part-time insecure work. While welfare is available to immigrants, for many of these highly skilled the stigma (as well as the actual very low financial amount) attached to this program is a deterrent to their use of it. What is left is a ‘captive audience’ of workers who have finite resources and must work to protect what they have.

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<sup>22</sup> Gower, D (1990) “Time Lost: an alternative view of unemployment”

<sup>23</sup> See Devereaux, M.S. (1992) “Alternative measures of unemployment” for definitions of the different unemployment rates and how they are calculated

Still, the news is not all bad. By all accounts Manitoba's low unemployment rates for immigrants whether very recent (less than 5 years) or recent (5 to 10 years) are still very low relative to other provinces and in this way the MPNP is considered a success<sup>24</sup>. However, it is often (wrongly) assumed that the MPNP *matches* immigrants to jobs as is noted by Zietsma<sup>25</sup>.

With what we have learned about hours-based unemployment, and the discounting of immigrant skills, the difficulties they report in obtaining appropriate employment - all of this begs the question – is Manitoba's economy as 'robust' as is claimed? Certainly we have shown that 'official' unemployment figures are not revealing as a stand alone figure as to the true picture of the state of the labour force.

### **Wages of Immigrants vs. Native-Born**

There is a lot of literature on this topic and Hum and Simpson (2004) have done a nice job of explaining the difficulty entailed in measuring it<sup>26</sup>. In a review of different studies and literature the authors conclude that recent immigrants pay a heavier '**entry effect**' in terms of wages being much lower than Canadian born when they first arrive, compared to earlier cohorts of immigrants. While earlier cohorts eventually experienced a 'catch up' in terms of earnings and actually surpassed Canadian-born in earnings, more recent cohorts have started with a much larger entry effect and wages are not reaching those of Canadian born. Related to this may be the trend in the last 10 to 20 years to move away from 'traditional' immigrant source countries (European) and towards Asian and to a lesser extent, African countries. However Hum and

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<sup>24</sup> See Zietsma, D(2006) The Canadian Immigrant Labour Market in 2006: First Results from Canada's Labour Force Survey, available from <http://www.statcan.ca/english/freepub/71-606-XIE/71-606-XIE2007001.pdf>

<sup>25</sup> Ibid, page 14

<sup>26</sup> Hum, D., Simpson, W., (2004) Economic Integration of Immigrants to Canada: A Short Survey.

Simpson also suggest that recent immigrants might be worse off because of poor market conditions in Canada for *all* labour market entrants, but this is difficult to prove statistically. To support this argument they point to another study (Frenette and Morissette – 2003) that examined the last five Census and noted “similarly dismal prospects for their native-born counterparts entering the labour market” (p. 53). Masters or even doctorate level education are increasingly expected for lower mid-level positions even for those with Canadian credentials. Similarly, as previously discussed, high school students could apprentice and learn on the job trades while earning, but today’s economy expects such entry level workers to come with several years of education first. David Foot’s work echoes these sentiments. He forecasts that the Baby-Boom Echo generation (born 1980 to 1995), just entering the workforce now, will experience the same employment difficulties as the Generation X’ers currently do (those part of the Baby Boom generation, but born at the tail end from 1960 to 1966) (Foot, 2004, 28-31). How will skilled immigrants fare if highly skilled Canadians can’t find good jobs?

Picot and Hou (2003) found similar hardships for recent immigrants (defined as in Canada for 5 years or less) across all categories, although more difficult for women. Statistics Canada, The Immigrant Labour Force Analysis Series, (2006 Analysis by Region or Country of Birth) found among other things that African immigrants at all durations (recent, long term) have consistently higher unemployment rates than Asian, European or other immigrants.

Warman and Worswick’s (2004) study of immigrant earnings is interesting because they are compared across Canadian *cities*. Similar to Hum and Simpson, they reports that “...relative earnings of immigrant men and women are generally observed to decline for more recent arrival

cohorts...<sup>27</sup>. Men's earnings were found to be generally higher in Toronto, Ottawa and Hamilton, and **lowest in** Montreal and **Winnipeg**. The findings for women are similar except in Hamilton where they are lower, and in Ottawa where there were relatively higher. This study is particularly interesting when considering the outcomes/success of the MPNP. One wonders to what extent the higher wages and lower taxes available in Ontario may affect **retention** of immigrants in Manitoba, with the lowest wages and a significantly higher income tax burden. While the MPNP favors local family connections, ostensibly as a strategy to retention as people may be reluctant to leave family, other arguments can be made for the ease of secondary intra-provincial migration after the initial, difficult, uprooting has occurred. Once migrants have successfully entered Canada, there is no law to keep them in Manitoba, and a secondary move may not be perceived as difficult as the first.

### **Demography - Are more people needed and if so, Why?**

This is probably the most under-studied question in the immigration debate. For a long time, Canada's population was young and growing, stimulating demand, but as a country we are aging. The large baby boom generation (1947-1966) fueled demand, which created jobs, which increased wealth of the citizens, and of the government, as tax revenues also increased. The oldest members of this cohort are set to begin retiring (assuming retirement age of 65) in 2012 (those born in 1947) but that large cohort still has people born for the next 18 years. Those born in 1966 won't retire until 2031. Why is this significant to the immigration debate?

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<sup>27</sup> Warman, C., Worswick, C., (2004) Immigrant Earnings Performance in Canadian Cities: 1981 through 2001.

Manitoba, like most of Canada and many industrialized OECD nations, has seen its population shift from young to older, from high birth rates to diminishing ones, from the more healthy young, to the more sickly and therefore costly older population. Augmenting the calls for increased immigration are concerns that there will not be enough workers to keep our society functioning as it has in the past. Putting aside for the moment the supposed labour shortages, the immigration question asks who will care for the large numbers of old citizens. Who will pay for their pensions if there are not enough young earners whom we can tax in order to pay for it? Immigration has become accepted dogma as “THE” solution, and appears to be no longer questioned in either the media or in policy. The Canada pension plan is a big part of this debate. Currently, the plan is a ‘pay as you go’ system, whereby existing workers pay for the pensions of retired workers who are drawing upon it as deposits are made. This is why there is a concern about the need for younger workers. According to David Foot, the changes that Canadian government introduced in 1997 to the Canada Pension Plan increased contribution premiums by 73% over six years, and cut benefits by 1.6%. Only those who were 65 by the end of that year did not endure any cuts (Foot, 2004, p. 271). Foot goes on to explain that this means those who have worked for 31 years or less will receive the most generous pensions, while everyone remaining after the change will have to contribute for 45 years to receive a reduced pension<sup>28</sup>. He further asserts that if the federal government had raised the retirement age to perhaps 67 (as is being done in the US) that they could have avoided increasing premiums or reducing payouts. With Canadians living much longer, healthier lives, retirees face an average of 15-20 years of little activity. A recent survey conducted by RBC shows that 82% of Canadians in fact do not

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<sup>28</sup> See also Rosen et al , page 250

want to retire and plan to keep working (CBC, January 29, 2008). If the federal government would allow older workers to continue to pay into their pension and work, some labour shortages could be eased and pension contributions could continue. Indeed the CFIB is now producing reports to encourage business to embrace older workers (2007, December).

The heavy burden that looms on the horizon for workers of the future also concerns the specter of ‘**intergenerational conflict**’ that looms because of so-called ‘greedy geezers’. Lester Thurow reported an incident in Kalkaska, Michigan where the older residents (in the majority in this community) voted that the school budget be used to pay for services they wanted, and refused to vote more money for the school, which resulted in the community school being closed months early (Kristoff, 1996). While this may be a (rather shocking) one-off event, it does point to what *could* happen in the future with the pressures of an aging population and the current pension system which penalizes younger workers to support the older. We can see from this that immigration is more than just about labour needs. Canada’s **elderly dependency ratio** (EDR) (the ratio of people 65 and older as a percentage of those of working age defined as 15-64) is currently around just under 20% and projected to climb to 42% in 2050 (Merette, 2002, p. 4, Figure 1). In a more positive vein, Mérette suggests that population aging will not be uniform across Canada and in fact Manitoba will fare quite well with its EDR of 22.5% of 1996 growing only to 39.3% in 2040, the 5<sup>th</sup> lowest in Canada (Newfoundland is projected to be the highest @ 56%) (2002, p.4, Table 1)

While the demography debate is surely a contested one, Foot makes a compelling argument for the fact that older, mature societies maintain lifestyles through productivity gains. Is immigration the easy fix to the Manitoba economy? If the raw numbers of individuals can

keep aggregate demand chugging along, and there is certainly no shortage of individuals who would like to move to Canada, why strive for productivity and competitiveness?

### **Manitoba skilled labour market for Immigrants – a Pigouvian Tax scenario?**

The Pigouvian tax/subsidy model is typically thought of in relation to pollution/ externalities and market behavior, but it appears that the model may provide some insight into the economic effects of immigration upon the *migrant*. Interestingly, there is some literature on the topic of imposing actual tariffs upon immigrants, as a factor of their desirability (skills, education) and how much congestion they may impose upon public goods and services. Chang discusses these tariffs and calls them a “Pigouvian” access fee that could be charged to immigrants (1997, p. 1164). If we extend the argument to the immigrant *skilled* labour force (i.e. – not just labour force in general), because the MPNP emphasizes that the program brings *skilled* labour to Manitoba, we can see that the skilled labour market imposes a tax upon the migrant.

Let us make a few assumptions:

1. The market is for skilled labour (as opposed to general labour market)
2. Migrants who wish to gain entry to the skilled labour market arrive with skills, education and language because they have been selected by the MPNP as able to enter that market
3. Marginal Private Cost (MPC) is the level of skills that immigrants are ready to invest in the market
4. Marginal damage (MD) is the perceived ‘damage’ that non-Canadian obtain skills represent to the market – they are not a desirable good, they are an undesirable externality of the labour that immigrants provide

Scenario:

Migrants arrive into the Manitoba skilled labour market, able to produce a set amount of output. The Pigouvian tax that is imposed upon them is represented by the **additional cost/need** of obtaining **Canadian experience and/or Canadian credentials**. It is expressed by the devaluing of the skills they bring (experience, language, willingness to learn, adaptability) and has the effect of limiting their output in the skilled labour market. The cost to obtain the socially desirable output (only Canadian experience and only Canadian credentials) is imposed upon the migrant in order to gain entry to the market, and therefore reduces the quantity of labour that is produced by the immigrant skilled labour force). See Appendix C for a diagram of how this may work.

Therefore, despite the large amounts of skilled immigrant labour, they cannot gain access to the skilled labor market and must either pay the ‘tax’ by retraining, or move to another market, such as a lower skilled, lower wage market.

While this may be something of a ‘thought experiment’, consider that the Canadian government is working to introduce a new class of immigrant – the **Canadian Experience Class**, announced in a news release last year (CIC, October 31, 2007). Some of this will benefit temporary workers and students, and this is a needed improvement, but the optics of this new ‘class’, at the same time where existing immigrants cannot get the Canadian ‘experience’ because they cannot get a job due to lack of it, bodes poorly for integration of the newcomers we already have.

## **The Way Forward**

Immigrants to Manitoba – those chosen for their skills, language, and education are having real trouble in the Manitoba labour market and there appears to be no change on the horizon.<sup>29</sup> Yet the MPNP continues to extol the virtues and success of the program to bring skilled immigrants in. If need for labour is the only reason for the MPNP, and if business leaders are so unwilling to compromise on how they will value skills, then perhaps it is time for the Manitoba government to stop subsidizing labour costs and allow the market to work as it should.

The Senate Committee report on Canada's "Demographic Time Bomb" is most eloquent at summarizing this debate (2006). This comprehensive report looks at incentives to work, immigration, public pensions and productivity – all which are intertwined and related. In effect, this report finds that "in the end you will not solve this problem with immigration" (p. 27). The OECD echoes this sentiment as a key witness to this investigation and cautioned Canada that immigration should play a *complementary* role to, other, additional measures (p. 27).

Immigrants arrive to Canada as adults, not infants, and we know that like Canadians, they also will have fewer children after they arrive in Canada. We cannot expect them to 'rescue' us by doing what we will not. The Senate report also acknowledges the reality of racism and discrimination for immigrants. While applauding the March 2005 launch of the program "A Canada for All: Canada's Action Plan Against Racism" put forward by the federal government, they feel that enough is not being done. Specifically, they state that "We must attract the

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<sup>29</sup> Consider that in a recent speech given in Newfoundland at a symposium held on September 17 and 18, 2006, Manitoba government officials admitted that "Regrettably though, about 70% of our new immigrants still report barriers to finding jobs commensurate with their skills and experience. What makes this especially troubling is that these newcomers are often trained and experienced in areas that we have identified as experiencing labour shortages". The text of this speech, entitled THE BENEFITS OF IMMIGRATION: "THE MANITOBA EXPERIENCE" is available from <http://www.hrle.gov.nl.ca/hrle/immigration/pdf/sympres/ben-immigration.pdf>, but unfortunately the speaker/author is not attributed.

immigrants we need...and employ them fully...we believe that firm deadlines for these actions are needed”(p. 28).

As Manitoba looks to compete with other regions who have a much bigger draw for newcomers (such as better climate or range of opportunities), a soft approach to exclusionary hiring practices in the workforce is not helping. A lot of economic value is squandered and despite the high profile of credential recognition initiatives, this has been a feature of the policy landscape for over two decades with very little substantial change. We have seen that there are other reasons for the push for high immigration, but if we continue to put all our eggs in one basket, and not addressing productivity and pension issues at the same time, the MPNP will serve only to further disillusion our newcomers. If the Manitoba government were to become more proactive against the discounting of immigrant skills, then they would perhaps have less of a losing battle with the pull of Montreal, Toronto or Vancouver. If they build it – a fair and equitable system for valuing and employing fully the skills of immigrants who are chosen – they will come. And they will stay. And that, after all, is the stated objective of the program.

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