

The Conference
Board of Canada



Four Futures

The Economic Impact of Immigration in Ottawa–Gatineau



Impact Paper October 26, 2020

Contents

Section 1

1 Introduction

Section 2

4 Immigration in Ottawa-Gatineau

- 5 Ottawa–Gatineau’s immigrant intake
- 6 Past economic contribution
- 8 Why does it matter?

Section 3

10 Results of our four immigration scenarios

- 12 Scenario one: benchmark scenario
- 13 Scenario two: no immigration
- 16 Scenario three: higher immigration
- 17 Scenario four: higher immigration with improved labour market outcomes

Section 4

19 Additional policy considerations

- 20 Immigration will be crucial to economic competitiveness and growth
- 21 Tighter labour market likely to improve immigrant outcomes
- 21 International student transitions to permanent residence also likely to improve outcomes
- 23 Beyond 2036: second-generation immigrants

Section 5

24 Conclusion

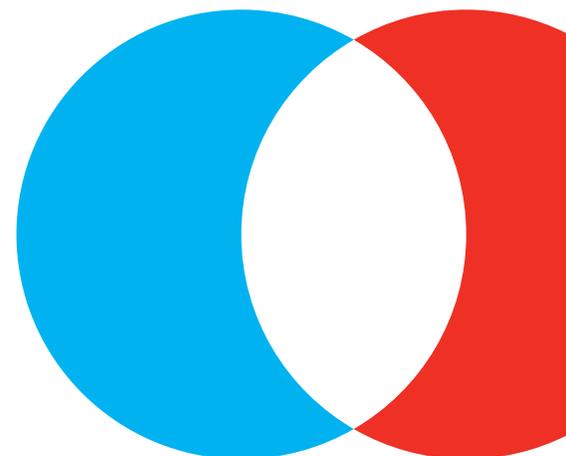
Appendix A

26 Assumptions

- 26 Immigrant composition assumptions
- 26 Wage assumptions
- 28 Employment assumptions

Appendix B

30 Bibliography



Key findings

- Given Canada's population aging and low birth rate, immigration will be vital to the country's—including Ottawa–Gatineau's—economic competitiveness and growth.
- This impact paper assesses the demographic and economic impacts of immigration to Ottawa–Gatineau over the past decade and forecasts the impacts of four different immigration scenarios over 2019–36.
- We forecast that annual real GDP growth would average 1.7 per cent under a no-immigration scenario, 1.9 per cent under our benchmark scenario, 2.1 per cent under a high-immigration scenario, and just slightly higher under a high-immigration scenario with improved labour market outcomes for immigrants arriving between 2019 and 2036.
- Employment and wages for immigrants in Ottawa–Gatineau have improved in recent years. The aging of the population and low birth rates are likely to support this trend, in which case immigration will have an even stronger economic impact over the coming decades.



Section 1

Introduction



Introduction

Canada’s population is aging, and this has profound economic and social implications for the country. It means a rising number of workers are exiting the labour force and fewer younger workers are entering the job market, constraining the economy’s ability to grow. In fact, even the adoption of labour-saving technology and delayed retirements will not be enough to fully offset these effects.

Population aging also threatens to put enormous strain on the country’s social safety net, as it means more people are collecting these benefits and fewer workers are paying taxes to fund them. Health care system sustainability is another key concern, because demand for health care services rises exponentially as people age.

One solution to the challenges brought about by the aging of the population is to admit more immigrants into the country. This is, in fact, what the Government of Canada is doing by increasing its immigration targets to 330,800 permanent residents in 2019, 341,000 in 2020, and 350,000 in 2021.¹ How important is immigration to Canada’s economic and demographic fortunes? It is now and will continue to be the main driver of population and labour force growth.

Immigrants to Canada help the economy by relieving demographic pressures and restocking the workforce. Skilled immigrants help to fill key labour market gaps. By working and paying taxes, immigrants also provide crucial support to the country’s social safety net and health care system.

What is true for Canada is also true for its cities, including Ottawa–Gatineau. Over the last five years, the National Capital Region has welcomed some 8,500 permanent residents per year, or about 3.0 per cent of all permanent residents landed in Canada. The city of Ottawa typically receives over 80 per cent of all permanent residents who land in the area. As in Canada as a whole, immigration will be a determining factor in Ottawa–Gatineau’s economic performance over the near and long term. But by how much? This impact paper sets out to answer this question by quantifying the demographic and economic impacts of immigrants to the Ottawa–Gatineau economy.

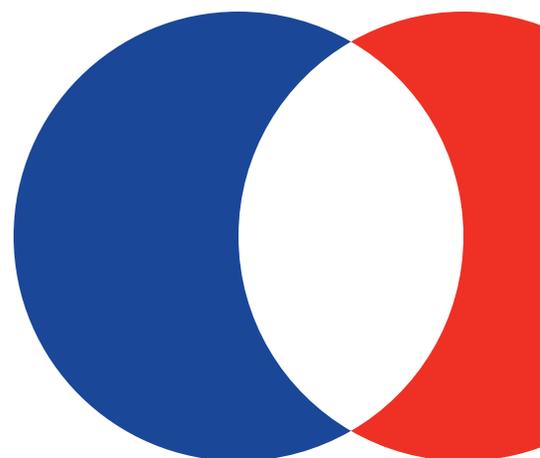
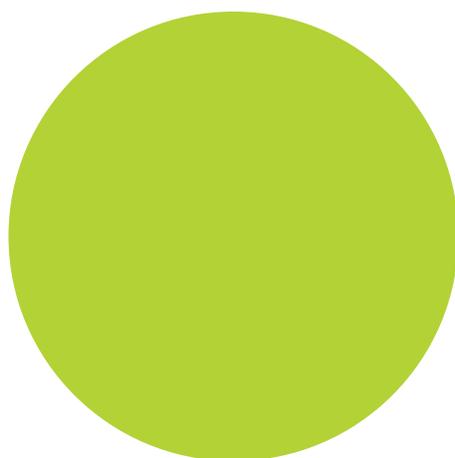
This impact paper is organized as follows. First, we provide an overview of Ottawa–Gatineau’s recent immigrant intake trends, detail the economic impact of this intake, and discuss why immigration is important to the metropolitan area. Second, we present the long-term impact of four different immigration scenarios for Ottawa–Gatineau: a benchmark scenario, a no-immigration scenario, a high-immigration scenario, and a high-immigration scenario with improved labour market outcomes. (See Table 1 for summary results.) We conclude with a brief policy analysis and discussion. For interested readers, an appendix includes detailed information on our methodology and key assumptions.

¹ Immigration, Refugees and Citizenship Canada, *Departmental Plan 2018–2021*.

Table 1
Comparing the 2036 forecast scenario results

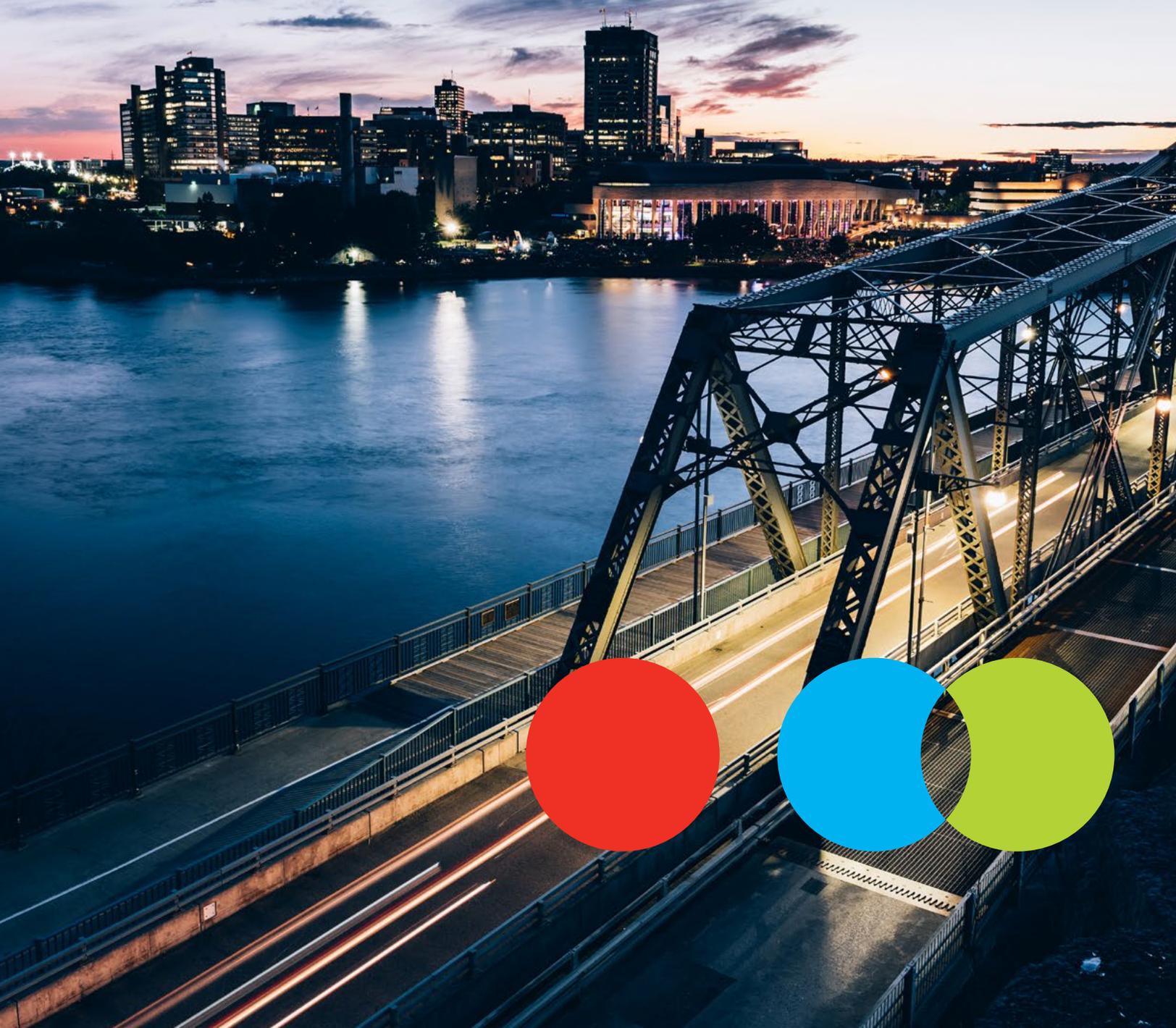
	Ottawa-Gatineau (2018)	Benchmark	No immigration	High immigration	High immigration with improved labour outcomes
Immigrants to Ottawa-Gatineau	11,005	10,346	0	19,500	19,500
Share of total Canadian immigrants (%)	3.6	2.4	0	4.5	4.5
Ottawa-Gatineau population	1,414,399	1,761,334	1,581,968	1,770,488	1,770,488
Real GDP (2012 \$ billions)	83.1	117.1	113.2	119.7	120.6
Average annual real GDP growth (2018-36)	n.a.	1.9	1.7	2.1	2.1
Real GDP per capita (2012 \$)	58,762	66,487	70,505	67,601	68,089

Source: The Conference Board of Canada.



Section 2

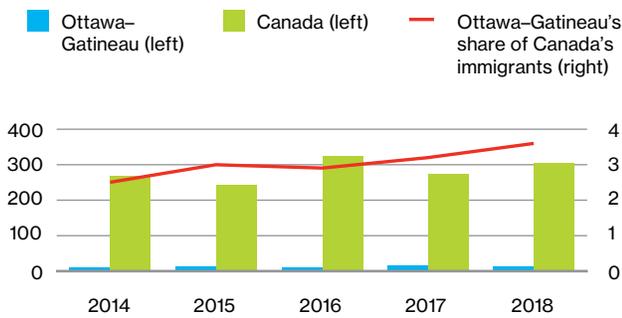
Immigration in Ottawa–Gatineau



Ottawa–Gatineau’s immigrant intake

Between 2008 and 2017, Ottawa–Gatineau welcomed an average of 7,907 permanent residents per year, accounting for 3.0 per cent of all immigrants to Canada over that decade. In 2018, Canada welcomed 30,500 more immigrants than in the previous year, and Ottawa–Gatineau’s share of newcomers rose to 3.6 per cent, meaning that the census metropolitan area saw its intake rise to 11,005 permanent residents. (See Chart 1.)

Chart 1
Immigration to Ottawa–Gatineau, 2014–18
 (number of immigrants, 000s; share in Ottawa–Gatineau, per cent)



Sources: The Conference Board of Canada; Statistics Canada; Immigration, Refugees and Citizenship Canada.

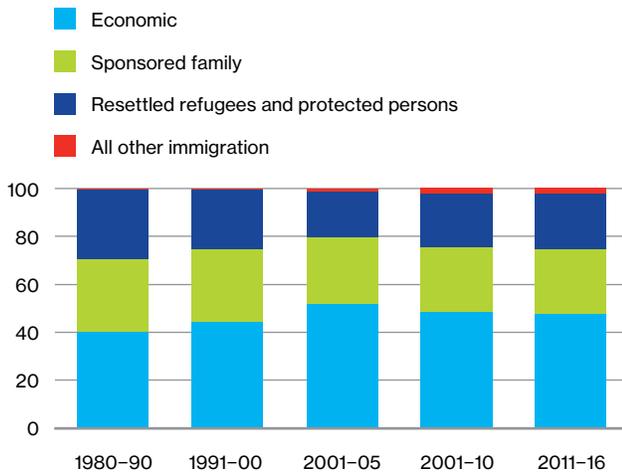
1 El-Assal, *Immigration Beyond the GTA*.

Immigrants to Canada are classified under three categories: economic, family, and refugee. The lion’s share of Ottawa–Gatineau’s immigrants are admitted to Canada under the economic class. (See Chart 2.) Ottawa–Gatineau’s economic class immigrants accounted for 47.6 per cent of the metropolitan area’s total flow of immigration over 2011–16, up from 40 per cent in 1980–90. This was slightly below the Ontario average of 51.0 per cent.

The share of refugees among Ottawa–Gatineau’s immigrants decreased from 29.2 per cent during the 1980s to 19.6 per cent over 2001–05, before rising back up to 22.8 per cent over 2011–16. This was nearly double the national average share of 11.6 per cent over 2011–16. Family class immigrants made up 27.4 per cent of immigrants to Ottawa–Gatineau in 2011–16, similar to the national share of 26.8 per cent.

Toronto’s appeal to newcomers largely explains Ottawa–Gatineau’s relatively low share of economic-class immigrants. Indeed, between 2013 and 2017, 73 per cent of the principal applicants to the Ontario Immigrant Nominee Program (OINP) indicated their intention to land in the Greater Toronto Area.¹ Even though not all OINP applicants are economic immigrants, the vast majority of applicants fall into the program’s Human Capital Priorities Stream, which targets skilled workers with the necessary attributes to establish themselves economically in the province.

Chart 2
Ottawa–Gatineau’s immigrants by entry class, 2001–16
(per cent)



Sources: The Conference Board of Canada; Statistics Canada.

Past economic contribution

Ottawa–Gatineau’s economy expanded at an annual average clip of 1.6 per cent between 2008 and 2018. In a hypothetical scenario without immigration, which implies slower population and thus labour force growth, the area’s real GDP growth rate would have been just 1.3 per cent per year. Accordingly, we estimate that the permanent residents who landed in Ottawa–Gatineau between 2008 and 2018 boosted the area’s real gross domestic product (GDP) growth by 0.3 per cent per year over that same period. The economic contribution of this immigrant cohort to Ottawa–Gatineau is based on the entry-class distribution (economic, family, refugee), the average labour market outcomes (employment rates and wages) of immigrants relative to the

average for the total Ottawa–Gatineau population, and the rates of immigrant retention.²

Although real GDP growth would have been weaker without immigration, real GDP per capita, which stood at nearly \$58,800 in 2018, would have increased at a faster pace between 2008 and 2018. Specifically, our analysis suggests that real per capita GDP would have risen by \$2,403 without immigration instead of just \$278 with immigration. That does not mean, however, that immigrants place downward pressure on living standards of the current population. In other words, workers in Ottawa–Gatineau would not have seen their salaries grow at a slower pace because of the arrival of newcomers. Instead, the slower growth in real GDP per capita is due to the fact that immigrants (especially recent immigrants) typically earn less than already established workers, and so average income per person in Ottawa–Gatineau automatically decreases as the immigrant share of the population rises. As a result, even if the employment rates and wages of immigrants improve over time, the arrival of new immigrants every year maintains downward pressure on per capita incomes.

The share of each category of immigrant affects average income per person—a lower share of economic class immigrants and higher shares of family and refugee immigrants typically leads to lower per capita incomes. This is because family and refugee immigrants are admitted to Canada for humanitarian and family-reunification reasons, not because of their ability to contribute to the economy. The opposite is true for economic class immigrants.

2 Statistics Canada, 2016 Census of Population.



A lack of recognition of foreign credentials, limited social networks, language barriers, and discrimination explain why recently landed immigrants tend to have poor labour market outcomes.

Recently landed immigrants earn less because they tend to take lower-paying or entry-level jobs. Several factors explain why recently landed immigrants tend to have poorer labour market outcomes: the lack of recognition of foreign credentials, limited social networks, language barriers, and discrimination. This highlights the need for policy measures that help remove barriers to immigrants’ labour market integration.

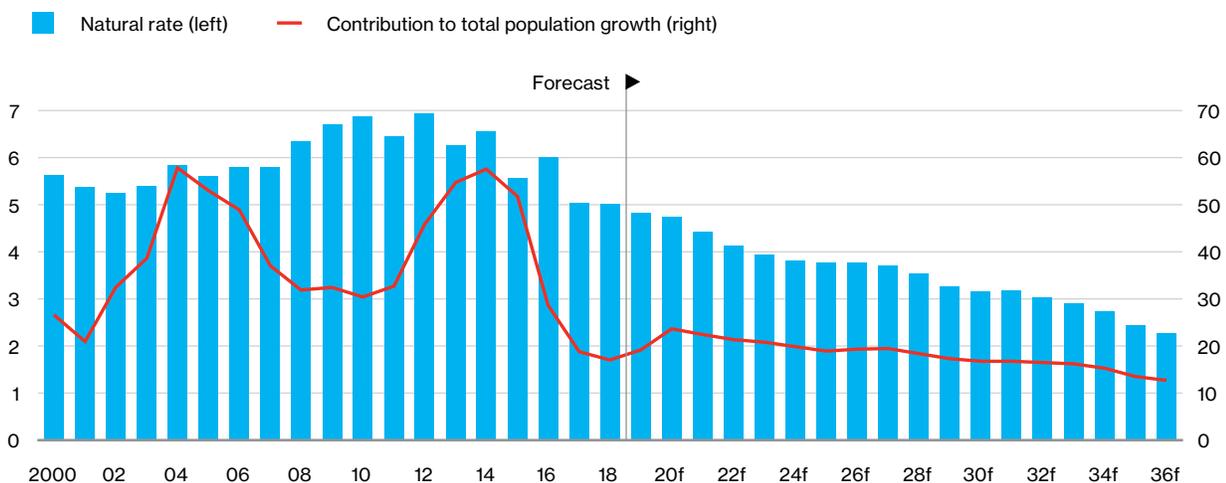
Finally, immigrants’ contribution to overall income is partly limited by the fact that economic growth was disappointing over 2009–18, and this may have been an additional factor that hurt their labour market outcomes. Indeed, this period included the 2008–09 global financial crisis and a prolonged period of tight fiscal policy at the federal level. Immigrant and Canadian-born workers alike felt the effects of these economic headwinds.

Why does it matter?

Ottawa–Gatineau’s population is aging, and its birth rate continues to slowly decline. These demographic realities will constrain economic growth and may hurt the quality of life of its residents. Immigration is vital to alleviating these economic pressures and to restocking Ottawa–Gatineau’s workforce.

We forecast that Ottawa–Gatineau’s natural increase in population (births minus deaths) will decline to about 2,300 by 2036, down from 5,600 in 2000. (See Chart 3.) Ottawa–Gatineau’s natural increase will account for only 12.7 per cent of the metropolitan area’s population growth in 2036, down from 26.7 per cent in 2000.

Chart 3
Natural increase a declining component of population growth
(births minus deaths, 000s; share of total population growth, per cent)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

Consequently, the area’s dependence on immigration to grow its population will only increase. We forecast that net international migration will account for 65.4 per cent of Ottawa–Gatineau’s population growth by 2036, with migrants from other cities in Ontario and from other provinces further adding to growth. Overall, total net migration—international, interprovincial, and intraprovincial—will account for 86.5 per cent of Ottawa–Gatineau’s population growth by 2036. (See Chart 4.)

Population growth is important to any metropolitan area because it is a key component of labour force growth. Adding more workers to the labour force is one of the two ways Ottawa–Gatineau can grow its economy. The other way is to use those workers more productively.

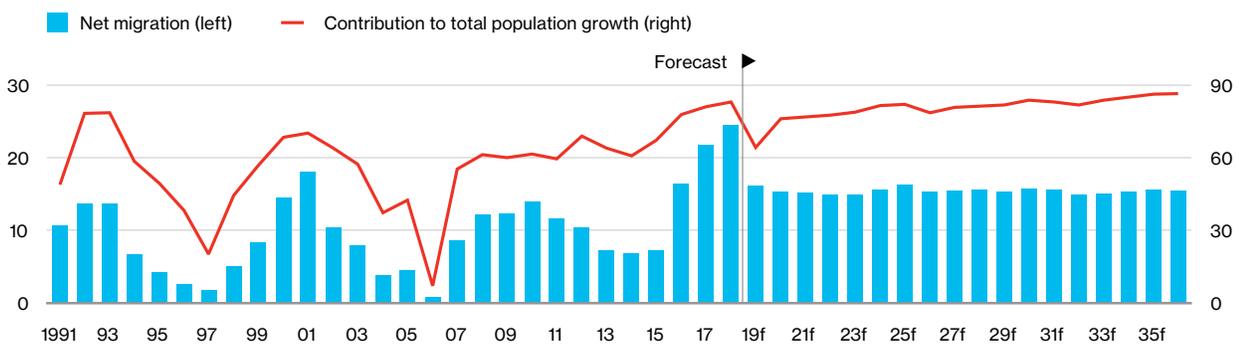
In addition, as the population ages, pressure to support social spending such as health care will increase—since an older population requires

more services—and there will be fewer workers to fund such services through taxes. Health care funding and spending is not decided at the metropolitan area level, so this is an issue that reaches beyond Ottawa–Gatineau to the provinces and to Canada.

Finally, immigrants can also have a positive impact on the economy by increasing demand, creating new jobs as entrepreneurs, and improving connections to international markets through diaspora relationships.

Up to now, this impact paper has looked back, quantifying the economic impact of immigration on Ottawa–Gatineau over the past 10 years. The following section analyzes how immigration will affect the National Capital Region’s economy in the future.

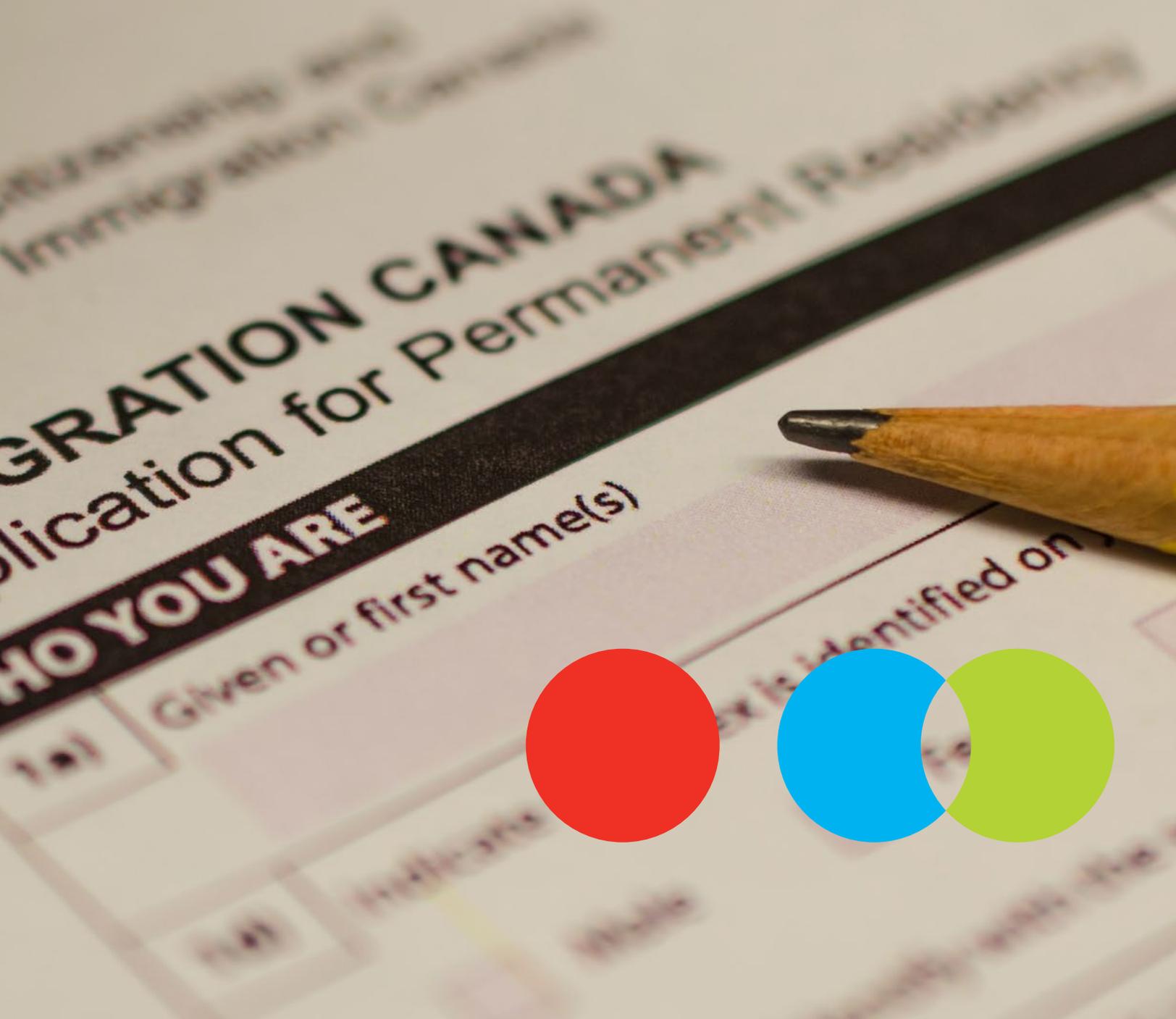
Chart 4
Immigration will be key to growing Ottawa–Gatineau’s population
 (net migration, 000s; share of total population growth, per cent)



f = forecast
 Sources: The Conference Board of Canada; Statistics Canada.

Section 3

Results of our four immigration scenarios



To quantify the impact of immigration on Ottawa–Gatineau’s economy, we ran four forecast scenarios over 2019–36. The only demographic variable we changed in each scenario was immigration, in order to isolate its economic impact. All other components of population growth – emigration, net interprovincial migration, net intraprovincial migration, net non-permanent residents, and the natural increase – are identical in all four scenarios.

To build valid immigration scenarios for Ottawa–Gatineau, we ensured that they were all consistent with the Conference Board’s latest long-term immigration forecast for Canada as a whole. The assumptions for Canada’s newcomer intake are based on the federal government’s 2019–21 Immigration Levels Plan¹ – we assume Canada will increase its intake to 350,000 newcomers by 2021.

After 2021, we assume that the federal government will slowly increase the country’s immigration rate (the number of immigrants per 1,000 population) from 0.8 per cent in 2018 to 1.0 per cent by 2030 – a few years before Canada’s natural increase is forecast to become negative. This would maintain the same level of population growth over the forecast that Canada has seen in recent decades (an average of 1.0 per cent per year since the 1990s). Under these

assumptions, annual immigration levels would climb to 415,000 by 2030. Beyond 2030, we hold the immigration rate constant at 1.0 per cent of the population, meaning Canada will welcome nearly 435,000 immigrants in 2036.

Appendix A contains our methodological assumptions for the rest of our work. As explained in the appendix, we made several conservative assumptions to avoid overstating the benefits of immigration. One of these assumptions, that Ottawa–Gatineau’s newcomers will experience the same labour market outcomes as previous immigrants, is relaxed in one scenario to isolate the economic impact of higher employment rates and wages for newcomers. These scenarios also excluded the economic contribution of non-permanent residents such as temporary foreign workers and international students.

We evaluated the results of four immigration scenarios on the following demographic and economic metrics: population size, real GDP, real GDP per capita, and real GDP growth. The scenarios were run over 2019 to 2036.

The four immigration scenarios are as follows:

- **Benchmark scenario:** The scenario maintains current intake trends, assuming that immigration to Ottawa–Gatineau will increase at the same rate as it has recently. This would result in Ottawa–Gatineau’s share of total immigrants to Canada averaging 2.6 per cent over 2019–36. In other words, the area would receive just over a total of 179,000 new immigrants between 2019 and 2036.

¹ Immigration, Refugees and Citizenship Canada, *Notice—Supplementary Information 2019–21 Immigration Levels Plan*.

- **Zero-immigration scenario:** We assume Ottawa–Gatineau will not welcome any new permanent residents between 2019 and 2036. This is a counterfactual scenario to help us understand how immigration will affect Ottawa–Gatineau’s economy in the other scenarios.
- **High-immigration scenario:** This scenario evaluates the impact of increasing the number of permanent residents to Ottawa–Gatineau from an average of 8,086 per year over 2007–18 to 19,500 by 2036, which represents a total of 274,500 new permanent residents between 2019 and 2036. Here, we assume that Ottawa–Gatineau’s share of Canada’s immigrants will gradually rise from 3.0 per cent in recent years to 4.5 per cent by 2036.
- **High-immigration scenario with improved labour outcomes:** This scenario assumes the same number of permanent residents as under the high-immigration scenario, but we improve their labour market outcomes by increasing wages and employment rates over time above those of previous immigrants to the National Capital Region.

Scenario one: benchmark scenario

If Ottawa–Gatineau were to maintain its recent immigrant intake trend, its share of Canadian immigrants would slowly decline from an average of 3.0 per cent to 2.4 per cent by 2036. This underscores our assumption that Montréal, Toronto, and Vancouver will continue to attract a growing share of Canada’s immigrants.



In this scenario, we expect Ottawa–Gatineau would welcome a total of 179,000 permanent residents between 2019 and 2036, or 2.6 per cent of all new permanent residents to Canada. This would translate into 9,406 newcomers in 2019, a number that would rise to 10,346 by 2036. (See Table 2.) Ottawa–Gatineau’s total population would rise by almost 347,000 people to 1.8 million in 2036.

Real GDP would grow at an annual average of 1.9 per cent and increase by \$34 billion between 2019 and 2036, while real GDP per capita would rise by \$7,700 to nearly \$66,500 in 2036.

Table 2**Scenario one: benchmark results**

	Share of total Canadian immigrants (%)	Immigrants to Ottawa–Gatineau	Ottawa–Gatineau population	Real GDP (2012 \$ billions)	Annual real GDP growth (per cent)	Real GDP per capita (2012 \$)
2018	3.6	11,005	1,414,399	83.1	2.6	58,762
2019f	2.8	9,406	1,439,482	84.7	1.9	58,826
2020f	2.7	9,356	1,459,540	86.2	1.8	59,073
2021f	2.7	9,316	1,479,280	87.8	1.9	59,365
2022f	2.6	9,227	1,498,568	89.5	1.9	59,692
2023f	2.6	9,431	1,517,486	91.0	1.8	59,980
2024f	2.7	9,982	1,536,696	92.7	1.8	60,292
2025f	2.7	10,313	1,556,626	94.5	2.0	60,687
2026f	2.6	9,924	1,576,157	96.3	2.0	61,120
2027f	2.6	10,047	1,595,302	98.2	1.9	61,558
2028f	2.5	10,159	1,614,512	100.1	1.9	62,005
2029f	2.5	10,084	1,633,362	102.0	1.9	62,468
2030f	2.5	10,307	1,652,130	104.0	1.9	62,931
2031f	2.4	10,166	1,671,017	106.0	1.9	63,405
2032f	2.5	10,350	1,689,374	108.1	2.0	63,980
2033f	2.4	10,062	1,707,347	110.3	2.0	64,582
2034f	2.4	10,320	1,725,374	112.5	2.0	65,217
2035f	2.4	10,569	1,743,449	114.8	2.0	65,847
2036f	2.4	10,346	1,761,334	117.1	2.0	66,487

f = forecast

Source: The Conference Board of Canada.

Scenario two: no immigration

If Ottawa–Gatineau were to close its doors entirely to new permanent residents between 2019 and 2036, the area would see its population rise by just 167,569 people, from about 1.4 million in 2018 to 1.6 million in 2036. (See Table 3.) This slower demographic growth would limit real gains in Ottawa–Gatineau’s economy to 1.7 per cent per year between 2019 and 2036, down from 1.9 per cent per year under our benchmark scenario. Accordingly, total GDP would be \$5.5 billion lower in 2036 compared with the benchmark.

Real GDP per capita under this hypothetical scenario would rise from almost \$58,800 in 2018

to \$70,500 in 2036—which is \$4,000 more than in the benchmark scenario. This gain does not mean that a lack of immigrants would put upward pressure on wages. Rather, the higher real GDP per capita would stem from other factors.

First, salaries peak as workers age and gain more experience in the labour market, and a no-immigration scenario implies an older and more experienced workforce.

Second, even if employment rates and wages generally improve for immigrants over time, immigrant wages on aggregate do not converge with Ottawa–Gatineau’s average wage, and we assume this will continue to be the case over the forecast period.



Slower demographic growth in the no-immigration scenario would limit real GDP growth—\$5.5 billion lower in 2036 compared with the benchmark scenario.

Table 3
Scenario two: no immigration

	Share of total Canadian immigrants (%)	Immigrants to Ottawa–Gatineau	Ottawa–Gatineau population	Real GDP (2012 \$ billions)	Annual real GDP growth (per cent)	Real GDP per capita (2012 \$)
18	3.6	11,005	1,414,399	83.1	2.6	58,762
19f	0	0	1,430,075	84.5	1.7	59,117
20f	0	0	1,440,777	85.9	1.7	59,649
21f	0	0	1,451,202	87.4	1.7	60,209
22f	0	0	1,461,263	88.9	1.7	60,806
23f	0	0	1,470,750	90.2	1.6	61,357
24f	0	0	1,479,978	91.7	1.6	61,941
25f	0	0	1,489,595	93.2	1.7	62,580
26f	0	0	1,499,203	94.8	1.7	63,234
27f	0	0	1,508,300	96.4	1.6	63,886
28f	0	0	1,517,351	97.9	1.6	64,540
29f	0	0	1,526,117	99.5	1.6	65,213
30f	0	0	1,534,578	101.1	1.6	65,888
31f	0	0	1,543,299	102.7	1.6	66,534
32f	0	0	1,551,306	104.4	1.7	67,291
33f	0	0	1,559,217	106.1	1.7	68,069
34f	0	0	1,566,923	107.9	1.7	68,883
35f	0	0	1,574,429	109.7	1.7	69,696
36f	0	0	1,581,968	111.5	1.6	70,505

f = forecast

Source: The Conference Board of Canada.

Only principal applicants (i.e., the main applicant of a family) under the economic classification typically go on to earn more than the Ottawa–Gatineau average wage—and only years after their arrival. In contrast, family and refugee class immigrants do not see their wages catch up with Ottawa–Gatineau averages. This is explained by the fact that economic class immigrants are welcomed to the country based on their ability to adapt to the labour market, while other classes of immigrants are admitted to Canada primarily for social and humanitarian reasons. Just as with our analysis of past immigration, this highlights

the importance of addressing the poorer labour market outcomes of all immigrants.

It is important to note that, in this no-immigration scenario, immigrants who arrived prior to 2019 are still providing a positive contribution to the economy, as are their children. Excluding their role in the economy would result in an even larger negative economic shock.

Scenario three: higher immigration

In the higher-immigration scenario, we assume that Ottawa–Gatineau would manage to increase its intake of immigrants from 11,005 in 2018 to 19,500 in 2036, for a total of 274,500 new permanent residents between 2019 and 2036. (See Table 4.) At this level of intake, Ottawa–Gatineau’s share of all Canadian immigrants would rise to 4.5 per cent by 2036, boosting its population by 356,000 people to a total of 1.8 million in 2036.

Annual real GDP growth would come in at 2.1 per cent on an average annual basis between 2019 and 2036, 0.2 percentage points per year above that of the benchmark scenario. Accordingly, total GDP would be \$2.6 billion higher in 2036 than in the benchmark scenario, increasing by \$37 billion between 2019 and 2036. In this scenario, real GDP per capita would increase from \$58,762 in 2018 to \$67,601 in 2036, ending up just over \$1,000 more than in the benchmark scenario.

Table 4
Scenario three: high immigration

	Share of total Canadian immigrants (%)	Immigrants to Ottawa–Gatineau	Ottawa–Gatineau population	Real GDP (2012 \$ billions)	Annual real GDP growth (per cent)	Real GDP per capita (2012 \$)
18	3.1	11,005	1,414,399	83.1	2.6	58,762
19f	3.3	11,000	1,441,075	84.7	1.9	58,778
20f	3.4	11,500	1,461,684	86.3	1.8	59,024
21f	3.4	12,000	1,481,964	87.9	1.9	59,324
22f	3.5	12,500	1,501,841	89.6	1.9	59,664
23f	3.6	13,000	1,521,056	91.2	1.8	59,981
24f	3.7	13,500	1,540,214	92.9	1.8	60,338
25f	3.7	14,000	1,560,313	94.8	2.0	60,777
26f	3.8	14,500	1,580,733	96.8	2.1	61,240
27f	3.8	15,000	1,600,255	98.8	2.0	61,737
28f	3.9	15,500	1,619,853	100.8	2.0	62,253
29f	3.9	16,000	1,639,278	102.9	2.0	62,785
30f	4.0	16,500	1,658,323	105.0	2.0	63,333
31f	4.1	17,000	1,677,851	107.2	2.0	63,892
32f	4.1	17,500	1,696,524	109.6	2.2	64,576
33f	4.2	18,000	1,715,285	112.0	2.2	65,282
34f	4.3	18,500	1,733,553	114.5	2.2	66,050
35f	4.4	19,000	1,751,880	117.1	2.2	66,824
36f	4.5	19,500	1,770,488	119.7	2.2	67,601

f = forecast

Source: The Conference Board of Canada.

Scenario four: higher immigration with improved labour market outcomes

We also estimated the effects of high immigration in a scenario where immigrants' employment and wage outcomes would be higher than what immigrants have achieved on average in the past. We increased the employment rate of immigrants by 5 percentage points for those in the country for five years or less, 8 percentage points for those here for six to 10 years, and 10 percentage points for those here more than 10 years. We also increased immigrants' share of the Ottawa–Gatineau average wage by 10 percentage points for all immigrants.



Under these aspirational assumptions, annual real GDP growth would still come in at 2.1 per cent on average between 2019 and 2036. Total GDP would be about \$0.9 billion higher in 2036 than in the original high-immigration scenario (and \$3.5 billion higher in 2036 than in the benchmark scenario). Real GDP per capita would increase by \$9,328 to \$68,089 in 2036, \$500 more than the high-immigration scenario. (See Table 5.)

In other words, higher immigration would result in Ottawa–Gatineau's real GDP increasing by between \$2.6 billion (under conservative assumptions for immigrants' labour market outcomes) and \$3.5 billion (under improved labour market outcomes for immigrants) in 2036, compared with the benchmark scenario. Even though we prefer to be conservative in our assumptions, there are good reasons to believe that immigrants' labour market conditions will improve over the coming decade. We discuss this and other considerations in the next chapter.

Table 5
Scenario four: high immigration with improved labour outcomes

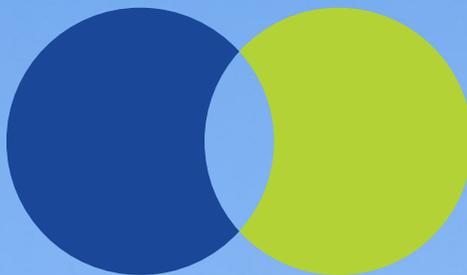
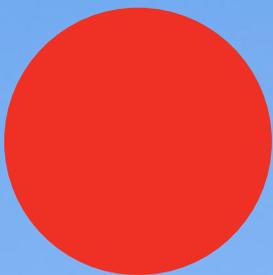
	Share of total Canadian immigrants (%)	Immigrants to Ottawa–Gatineau	Ottawa–Gatineau population	Real GDP (2012 \$ billions)	Annual real GDP growth (per cent)	Real GDP per capita (2012 \$)
18	3.1	11,005	1,414,399	83.1	2.6	58,762
19f	3.3	11,000	1,441,075	84.7	1.9	58,785
20f	3.4	11,500	1,461,684	86.3	1.9	59,040
21f	3.4	12,000	1,481,964	88.0	1.9	59,352
22f	3.5	12,500	1,501,841	89.7	1.9	59,706
23f	3.6	13,000	1,521,056	91.3	1.8	60,037
24f	3.7	13,500	1,540,214	93.0	1.9	60,409
25f	3.7	14,000	1,560,313	95.0	2.1	60,865
26f	3.8	14,500	1,580,733	97.0	2.1	61,350
27f	3.8	15,000	1,600,255	99.0	2.1	61,872
28f	3.9	15,500	1,619,853	101.1	2.1	62,415
29f	3.9	16,000	1,639,278	103.2	2.1	62,977
30f	4.0	16,500	1,658,323	105.4	2.1	63,556
31f	4.1	17,000	1,677,851	107.6	2.1	64,151
32f	4.1	17,500	1,696,524	110.1	2.3	64,874
33f	4.2	18,000	1,715,285	112.6	2.3	65,623
34f	4.3	18,500	1,733,553	115.2	2.3	66,438
35f	4.4	19,000	1,751,880	117.8	2.3	67,260
36f	4.5	19,500	1,770,488	120.6	2.3	68,089

f = forecast

Source: The Conference Board of Canada.

Section 4

Additional policy considerations



Regardless of its future newcomer levels, Ottawa–Gatineau’s economic standing will face pressure due to the aging of its population and its low birth rate.

Beyond these metrics, we need to consider the role of immigration in supporting Ottawa–Gatineau’s economic competitiveness, the implications of raising immigration levels, factors that could influence the future labour market performance of newcomers, and additional broader ramifications of immigration policy in Canada and Ontario. Quebec’s immigration policy will also affect the number of immigrants to the area and their labour market outcomes, but to a much lesser degree, as less than 15 per cent of immigrants to the area land in Gatineau.

Immigration will be crucial to economic competitiveness and growth

One of the limitations of our forecast is that it assumes business investment decisions will remain constant regardless of Ottawa–Gatineau’s future immigration levels. This is a conservative assumption because population and labour force growth are major determinants of economic growth, which in turn is a key influencer of business investment decisions. Indeed, businesses prefer to invest in economies with higher growth, which helps drive profits. Businesses also want to invest in jurisdictions

with an ample supply of labour to meet their operational needs. As our research has shown, businesses tend to hold back investment when there are labour shortages.¹

Given that Ottawa–Gatineau’s economic growth is forecast to weaken moving forward because of demographic pressures, business investment patterns could change. The Conference Board forecasts Ottawa–Gatineau’s real GDP growth will average 1.9 per cent between 2019 and 2036, on par with the national average. This might push businesses to invest in other Canadian jurisdictions with higher growth rates and larger labour pools than Ottawa–Gatineau. On the other hand, a tighter labour market may also push businesses in Ottawa–Gatineau to make more productivity-enhancing investments, somewhat offsetting the economic drag of slowing population growth. And given Ottawa’s status as the national capital, federal government spending patterns will also obviously affect the investment decisions of the region’s firms.

Welcoming more immigrants under any of our scenarios does present some challenges, however, notably in terms of integration, wage disparities in the local population, and lower average per capita GDP. That said, our forecast could still prove overly conservative: we assume that future immigrants to Ottawa–Gatineau will have the same economic outcomes as past immigrants but, as outlined below, tightening labour markets bode well for future immigrants’ outcomes. A rising number of international students and temporary workers is yet another reason to be optimistic about future labour market outcomes for Canadian newcomers.

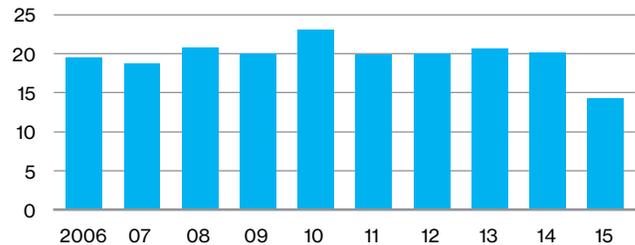
¹ Gibbard, *Business Confidence*; El-Assal and Goucher, *Immigration to Atlantic Canada*.

Tighter labour market likely to improve immigrant outcomes

Labour markets across Canada will tighten in the coming decades as the baby-boom cohort continues to exit the workforce. Recent evidence suggests that Canadian-born and immigrant workers are already benefiting from a falling unemployment rate. In Ontario, landed immigrants' unemployment rate has been on a downward trajectory, and their employment rate has risen in recent years.² Average immigrant earnings in Ontario increased by 21.1 per cent between 2006 and 2016.³ Still, the immigrant wage gap in the province remained close to 20 per cent over 2006–15, with the exception of a significant dip to 14.3 per cent in 2015.⁴ (See Chart 5.)

As the labour market tightens, we forecast that Ontario's natural rate of unemployment—the rate of unemployment consistent with the economy operating at full capacity—will fall and wage growth will exceed inflation. (See Chart 6.) All told, our forecasts and the recent improvements in immigrants' labour market and wage outcomes indicate that immigrants will be better off than in the past. This suggests that our better-outcomes scenario, in which future immigrants have a stronger impact on Ottawa–Gatineau's economy than previous immigrants, could be a realistic outcome.

Chart 5
Ontario immigrant wage gap
(per cent)



Source: The Conference Board of Canada.

International student transitions to permanent residence also likely to improve outcomes

The number of non-permanent residents—that is, international students and temporary foreign workers—coming to Canada has also been on the rise in recent years. In 2017–18 alone, Ottawa–Gatineau welcomed 5,473 net non-permanent residents, up from only 581 in 2014–15.

This increase bodes well for immigrants' labour market outcomes, as non-permanent residents with previous Canadian experience who transition to permanent residency tend to enjoy stronger rates of employment and higher wages than permanent residents without previous experience.⁵

2 Statistics Canada, Table 14-10-0083-01.

3 Statistics Canada, Table 43-10-0009-01.

4 Conference Board of Canada, The, "How Canada Performs: Immigrant Wage Gap."

5 Hou and Bonikowska, *The Earnings Advantage of Landed Immigrants Who Were Previously Temporary Residents in Canada*.



Second-generation immigrants have, on average, higher university-level education and wages than their parents—and are likely to make substantially positive contributions to the local economy.

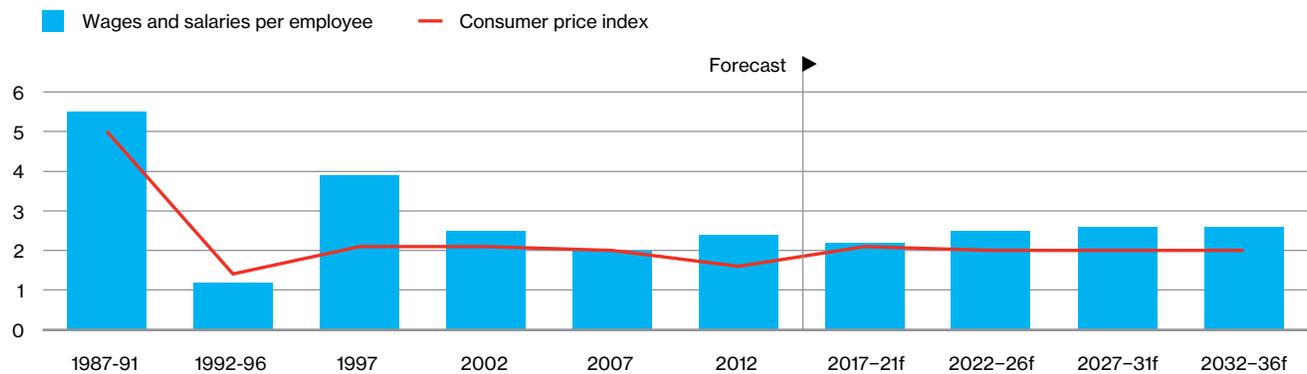
Therefore, an increase in the number of net non-permanent residents transitioning to permanent residency, notably through the provincial nominee programs, will further increase the impact of immigration on Ottawa–Gatineau’s economy.

Beyond 2036: second-generation immigrants

One other crucial policy consideration is the long-term impact of immigration that we are unable to fully capture in a forecast that ends in 2036. While first-generation immigrants across Canada

tend to face labour market challenges, second-generation immigrants have, on average, higher university-level education and wages than their parents.⁶ They also have similar wages to those of the Canadian-born population.⁷ These data tell us that when we discuss the potential impacts of immigration on Ottawa–Gatineau’s economic future, we must also keep in mind that those in the second generation are likely to make substantially positive contributions to the local economy. This is another sense in which our current economic impact estimates are conservative.

Chart 6
Wages growing faster than inflation for Ontario
 (5-year average annual compound growth rate, per cent)



f = forecast
 Sources: The Conference Board of Canada; Statistics Canada.

6 Chen and Hou, *Intergenerational Education Mobility*; Hou and Bonikowska, *Educational and Labour Market Outcomes of Childhood Immigrants*; Picot and Sweetman, *Making It in Canada: Immigration Outcomes and Policies*.

7 Statistics Canada, “Income and Mobility of Immigrants, 2015.”

Section 5

Conclusion



The results of these four scenarios clearly show the importance of immigration to Ottawa–Gatineau’s economy. Even if the number of newcomers to Ottawa–Gatineau were to remain on trend, meaning that the region’s share of national immigration declines slightly, immigration would lift average real GDP growth by 0.2 percentage points annually from 2019 to 2036 in comparison with a no-immigration scenario.

If Ottawa–Gatineau were able to further boost its attractiveness to newcomers so that its share of national immigration were to increase over time, average annual real GDP growth would be lifted by another 0.2 percentage points.

Our forecast may be understating the degree to which immigration will benefit Ottawa–Gatineau’s economy in the coming decades. Immigration can help strengthen economic growth and inject more workers into the labour force to pay taxes in support of rising government spending. We also acknowledge that there is a downside risk to our forecasts—if the labour market outcomes of Ottawa–Gatineau’s immigrants deteriorate, they could have a weaker economic impact. Admittedly, there is a low risk of this occurring, given that tightening labour markets should have the opposite effect, by boosting immigrant employment rates and wages compared with the recent past, just as our improved-outcomes scenario assumes.

Given the looming demographic challenge, Ottawa–Gatineau will need to continue to complement its Canadian-born workers with immigrants to sustain its economic competitiveness and growth. Since Ottawa–Gatineau does not have jurisdiction over the total number of newcomers to Canada, nor where they land and settle, the metropolitan area will have to find ways to remain attractive enough to encourage immigrants to choose it over other metropolitan areas in Canada.

The cities of Ottawa and Gatineau, other levels of government, employers, regulatory bodies, and non-profit immigration organizations should not take the better labour market outcomes alternative as given. They will all need to do the work so that immigrants have a better chance at enjoying these outcomes, which will ultimately benefit the local economy. Such improvements would see immigrants have a greater economic impact, including enabling them to spend more money and contribute more in tax revenues. This would benefit both immigrants and the Canadian society at large as the country becomes more dependent on immigration to reduce the economic and fiscal strain caused by the aging of its population and its low birth rate.

As Ottawa–Gatineau’s labour market tightens, immigrants could see better outcomes that will improve their economic and fiscal contributions. Looking beyond our analysis, selecting more international students and temporary foreign workers will likely also yield better labour market outcomes for immigrants. Finally, second-generation immigrants are likely to continue to fare well in Ottawa–Gatineau, providing second-round positive impacts on the local economy.

Appendix A

Assumptions

We made a variety of demographic and labour market assumptions to ensure that our results were as realistic as possible. Across all scenarios, we maintained the same underlying assumptions that drive population growth (fertility rates, death rates, and out-migration) and altered only the level of annual immigration.

Immigrant composition assumptions

In all scenarios, we assumed that 49.1 per cent of newcomers would fall under the economic class, 28.2 per cent under the family class, and 22.7 per cent under the refugee class. These shares are based on Statistics Canada's immigration data for Ottawa–Gatineau over 2011–16.¹ This was a key assumption of our work because the three categories of immigrants have significantly different wage and labour force characteristics. We believe that holding these shares steady over the forecast in all scenarios was the most logical assumption to make.

Drilling down further, we also differentiated between the entry streams within the three immigrant classes to better account for their average wage and labour force characteristics. Again, our key assumption was to maintain and extend the shares observed over 2006–11. For example, within the economic immigrant classification, we assumed that 17.4 per cent of newcomers will be economic class principal applicants who arrive under federal programs, 2.0 per cent of newcomers will be business principal applicants, and 27.8 per cent of newcomers will be their spouses and dependants. Furthermore, we assumed that 9.9 per cent of newcomers will be government-assisted refugees, 3.6 per cent will be privately sponsored refugees, and 9.1 per cent will be other refugees.

Wage assumptions

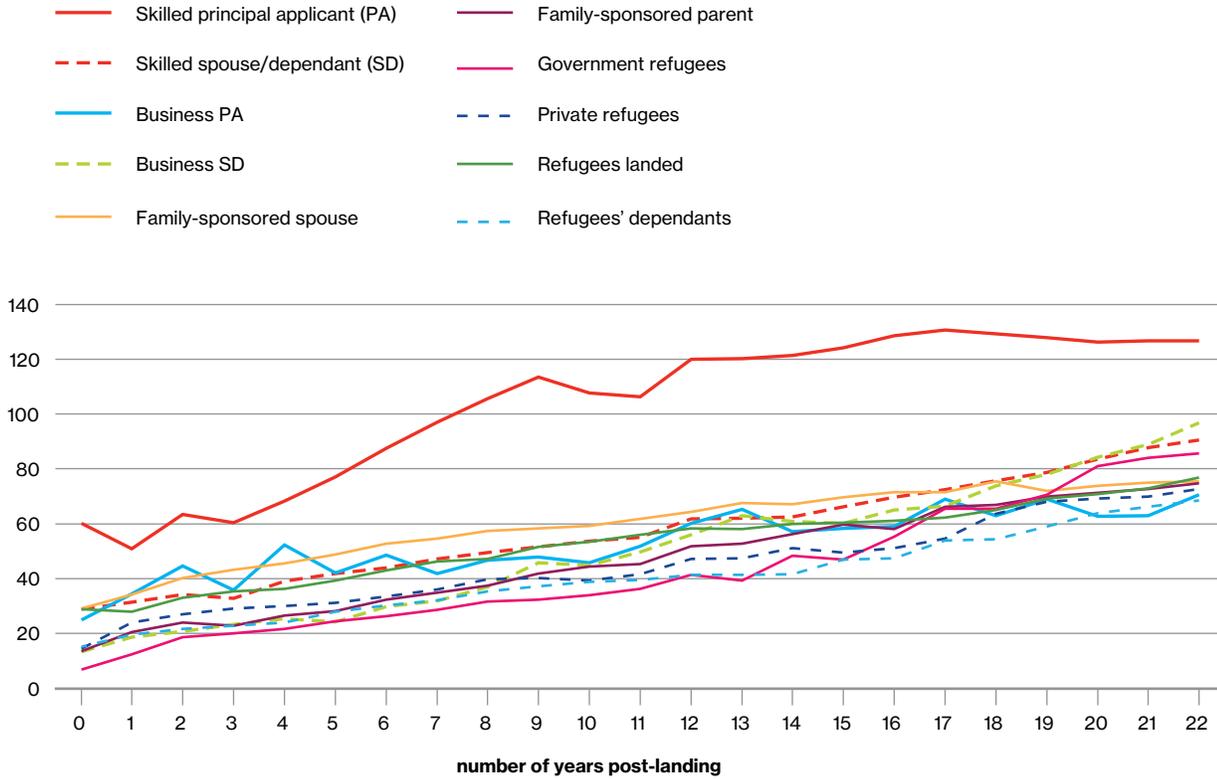
Using data from Statistics Canada's Longitudinal Immigration Database (IMDB), which links immigrant landing files (formerly the Landed Immigrant Data System, or LIDS) with T1 tax returns, we compared the wages of employed immigrants who arrived in Ottawa–Gatineau between 1990 and 2016 with the average

¹ Statistics Canada, 2016 Census of Population.

Chart 7

Forecast of immigrant wages as a share of Ontario average wage by the number of years post-landing and entry stream

(per cent)



Sources: The Conference Board of Canada; Statistics Canada.

wages of those already employed in Ottawa–Gatineau.² We also weighed the annual evolution of immigrant wages over this period by entry stream. (See Chart 7.) Immigrant wage data are not available for Ottawa–Gatineau for all years, so we extended the average ratio of Ottawa–Gatineau to Ontario immigrant wages per years since landing. Over 17 years, the average immigrant rarely achieves wage parity with the Ottawa–Gatineau average, although the size of the wage gap largely depends on the immigrant’s entry stream.

On average, principal applicants in the skilled worker classification reach wage parity with Ottawa–Gatineau’s average within eight years of landing and then earn higher wages in subsequent post-landing years. This is due to the fact they are admitted based on their human capital characteristics and, often, pre-arranged employment. Their spouses and dependants earn well below the average wage. For instance, spouses and dependants of federal skilled

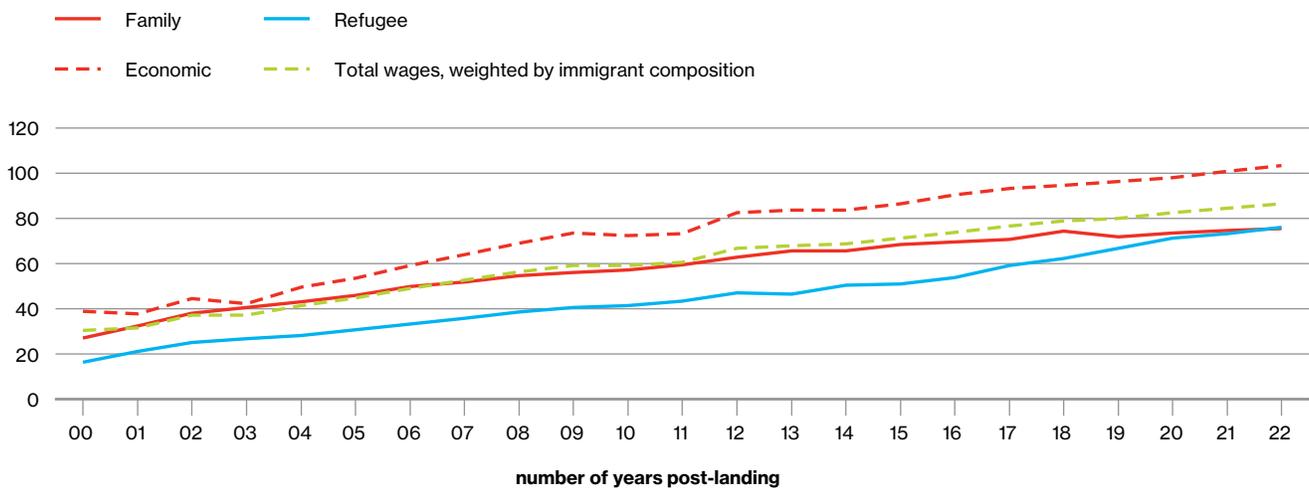
2 Haan, Prokopenko, and Eichelmann-Lombardo, “Immigration to Ottawa.”

workers who are in the labour force earn 53.8 per cent of the average wage a decade after arrival and just over 72 per cent after the 17 years of our forecast period.

Family class earnings are about 71 per cent of the average wage after 17 years. The refugee class has the lowest earnings among immigrants—not surprising given that they are admitted to Canada based on their need for protection rather than their ability to contribute to the economy. Their earnings reach 41 per cent of the average wage a decade after landing and about 59 per cent after 17 years.

Overall, when we weigh all classes as outlined above, immigrants earn around 77 per cent of the Ottawa–Gatineau average wage after 17 years. (See Chart 8.) We believe that our use of previous wage data contributes to the conservative nature of our results in our main scenarios, since, as discussed, a tighter labour market could result in better economic outcomes for Ottawa–Gatineau’s immigrants in the future.

Chart 8
Forecast of immigrant wages as a share of Ontario average wage by years post-landing and entry class
 (per cent)



Sources: The Conference Board of Canada; Statistics Canada.

Employment assumptions

Our analysis of wage data is based on immigrants with employment income. The most recent data show that over 79 per cent of newcomers are above the age of 15, a statistic we applied in our analysis throughout the forecast.³

The employment rate of Ottawa–Gatineau immigrants was 59.2 per cent in 2016, somewhat lower than the employment rate of the non-immigrant population of 64.5 per cent. We used the same distribution by category of immigrant as we did for wage data (49 per cent economic, 28 per cent family, 23 per cent refugees) to forecast employment rates of immigrants from 2019 to 2036. In addition, we used immigrant employment rates by years landed from the 2016 Census of the population. Specifically, these data show us today's employment rates of immigrants who have been in Ottawa–Gatineau for five years or less, between five and 10 years, between 10 and 15 years, and between 15 and 25 years.⁴

Economic immigrants in Ottawa–Gatineau who landed in Canada between 2011 and 2016 had an employment rate of 63.4 per cent at the time of the 2016 Census. Those who arrived between 2006 and 2010 had an employment rate of 69.6 per cent, and those who arrived between 2001 and 2005 had an employment rate 72.8 per cent. Economic immigrants in Ottawa–Gatineau who landed in Canada between 1991 and 2000 had an employment rate of 77.0 per cent in 2016.⁵ We used these numbers and weighted them with our

assumptions of immigrant class composition to forecast the employment rates for newcomers arriving to Ottawa–Gatineau in 2019–24, 2025–30, and 2031–36. We used the same methodology for the family and refugee classes.

Overall, the employment rate based on the weighting of Ottawa–Gatineau's immigrants by entry class is 50.1 per cent between 2019 and 2024, and it gradually rises to 66.8 per cent by the end of our forecast. We believe these employment rate assumptions in our main scenarios are conservative because they are based on historical data and, hence, are weighed down by the 2008–09 recession.

3 Statistics Canada, 2016 Census of Population.

4 Ibid.

5 Ibid.

Appendix B

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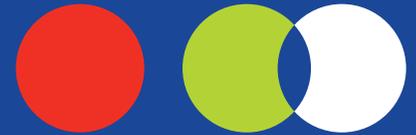


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Please note that this research was completed in February 2019, before COVID-19 dramatically weakened the near-term economic outlook and led to the restriction of almost all travel into Canada. Given ongoing travel restrictions in both Canada and sending countries, the number of immigrants Canada admits in 2020 and 2021 will likely be much lower than planned. This will reduce the impact of immigration on the Ottawa–Gatineau economy in the short term.

While COVID-19 will affect the near-term assumptions about immigration to Ottawa–Gatineau, the fundamental issues of an aging population and slow labour force growth are unchanged. Canada’s population continues to age while the fertility rate remains low. As such, Ottawa’s labour market will tighten as the economy recovers and the health risks associated with COVID-19 subside. Ottawa–Gatineau will need to complement its Canadian-born workers with immigrants to sustain its economic competitiveness and growth over the medium and long terms.



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