



Economic impact of immigration in New Brunswick

Prepared by: David Campbell, Jupia Consultants Inc.

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1. Immigrants and the labour market

- Across Canada, all net growth in the labour force (those working or actively seeking employment) has come from new immigrants.
- New Brunswick has seen a substantial increase in recent years in the number of immigrants participating in the labour force. There were 7,900 more immigrants in the New Brunswick labour force in December 2018 than in December 2013 – a 54% increase. The number born in Canada and active in the labour force declined by 18,400 in the same period.
- In other words, unlike Canada overall, the increase in immigrants in the labour force did not offset the loss of Canadians who left the labour force in New Brunswick.
- The number of employed immigrants rose by 7,700 over the same period – a 57% increase – unprecedented in New Brunswick in the last 100 years. 81% of employed immigrants were working full time.
- The labour market participation rate for recent immigrants in New Brunswick has risen substantially from only 57.1% in December 2013 to 80% in December 2018. The unemployment rate for immigrants has dropped to only 6.6% in December 2018.

Table 1: Labour force indicators – New Brunswick

<u>Indicator:</u>	<u>Dec-13</u>	<u>Dec-18</u>	<u># Change</u>	<u>% Change</u>
Labour force (x 1,000)	391.4	380.3	-11.1	-3%
Landed immigrants (x 1,000)	14.7	22.6	7.9	+54%
Born in Canada (x 1,000)	371.3	352.9	-18.4	-5%
Employment (x 1,000)	355	352.7	-2.3	-1%
Landed immigrants (x 1,000)	13.4	21.1	7.7	+57%
Born in Canada (x 1,000)	336.7	327	-9.7	-3%

Labour market participation rate:

Immigrants, landed 5 or less years earlier 57.1% 80.0%

Unemployment rate: landed immigrants (all) 8.8% 6.6%

*Unadjusted monthly estimates. Source: Statistics Canada Table: 14-10-0082-01.



2. Immigrants and their impact on the economy

We do not have a good breakdown of the industries in which new immigrants to New Brunswick are working. Based on the 2016 Census, we know that recent immigrants (between 2011 and 2016 and including non-permanent residents) are employed disproportionately in manufacturing, accommodation and food services, health care, retail trade and professional services. Overall, there were 6,960 recent immigrants and non-permanent residents counted at the time of the Census who were active in the labour force in New Brunswick. Using employment by industry, employment income and other data sources from Statistics Canada we can estimate the economic impact of recent immigrants (those landing in Canada between 2011 and 2016 and residing in New Brunswick in 2016). The main assumption is if these immigrants were not filling these roles in the New Brunswick economy, the economic impact of that activity would not occur in the province. See the full methodology below:

Summary impacts:

- There were 6,960 recent immigrants working in New Brunswick in 2016 generating over \$276 million in labour income and \$441 million in provincial gross domestic product (GDP). Adding in indirect and induced effects the impact rose to 10,415 jobs, \$414 million labour income and over \$711 million worth of provincial GDP.
- Adding the effect of international post-secondary students, the employment in New Brunswick supported by recent immigrants and international students rises to 11,680, the labour income rises to \$479 million and the GDP impact to \$813 million.
- These impacts are derived using labour income estimates. They do not account for any investment activity undertaken by immigrants (i.e. spending the money they bring with them to Canada) which would be another significant impact.

Table 2: Estimating the economic impact of recent immigrants and intl. students in New Brunswick

	<u>Direct Impact</u>	<u>Total Impact*</u>
Recent immigrants in the labour force:		
Employment	6,960	10,415
Labour income	\$276,461,796	\$414,175,071
GDP	\$440,711,230	\$711,043,420
International students:		
Employment	901	1,265
Labour income	\$52,283,884	\$64,728,488
GDP	\$75,811,502	\$101,848,472
Total impact (workers and students):		
Employment	7,861	11,680
Labour income	\$328,745,680	\$478,903,559
GDP	\$516,522,731	\$812,891,892



**Includes indirect and induced effects.*

Sources: Statistics Canada 2016 Census; Provincial Input-Output Multipliers; Tables 37-10-0018-01 & 37-10-0045.

Economic model methodology:

- Includes immigrants landing in Canada between 2011 and 2016 and residing in New Brunswick in 2016. Also includes non-permanent residents active in the labour force.
- Assumes the immigrant workforce has the same full time/part time mix as the general population (consistent with current immigrant labour force statistics).
- Assumes the average employment income by sector discounted by 10% as immigrants are likely to have slightly lower average wages due to age and other factors.
- Uses the employment, labour income and GDP multiplier effects for each of the main 20 industry groups as classified by Statistics Canada.
- International student figures taken from Statistics Canada for 2017 (college and university). International tuition rates for New Brunswick also taken from Statistics Canada tables for 2017. Also assumed an average monthly spending on food, accommodation, etc. of \$1,000 per international student.

Consumer spending effects

Using the labour income derived above, we can estimate how that money would flow through the economy in the form of household/consumer spending. Assuming the average recent immigrant household spends similar to the average household overall in New Brunswick, Table 3 shows how that spending would impact the economy. The \$414 million worth of labour income associated with recent immigrants would lead to \$307 million in current consumption or spending in the provincial economy. International student would add another \$48 million for a total annual consumer spending over nearly \$356 million. The food sector (groceries and restaurants) generates over \$58 million in sales from immigrant induced spending. The shelter sector (accommodation and related support services such as utilities, insurance, etc.) generates over \$97 million in sales and the transportation sector more than \$93 million. The recreation sector alone benefits from more than \$25 million in annual sales.

Table 3: Estimating the consumer spending of recent immigrants and international students in New Brunswick

	Recent		
	<u>immigrants:</u>	<u>Intl. students:</u>	<u>Totals:</u>
Total current consumption (spending)	\$307,627,132	\$48,076,865	\$355,703,997
Food expenditures	\$51,616,566	\$6,976,482	\$58,593,049
Shelter	\$85,815,753	\$11,598,836	\$97,414,589
Household furnishings and equipment	\$13,177,978	\$1,781,132	\$14,959,111
Clothing and accessories	\$18,357,215	\$2,481,157	\$20,838,371
Transportation	\$82,184,879	\$11,108,088	\$93,292,967
Health care & personal care	\$24,577,707	\$3,321,917	\$27,899,624
Recreation	\$22,326,160	\$3,017,598	\$25,343,758
Gifts of money and charitable contributions	\$12,799,340	\$1,729,956	\$14,529,295

Sources: Derived using Statistics Canada Table 11-10-0222-01.



Taxation effects for the New Brunswick government

The economic activity generated by recent immigrant workers and non-permanent residents also results in significant tax revenues for all three levels of government. A robust tax impact model is beyond the scope of this report but, in general, the New Brunswick government generates own source tax revenue at rate equivalent to 16% of provincial GDP. This excludes federal transfer payments and other revenue not induced by provincial economic activity.

Using this high-level approach, the economic activity associated with the recent immigrant labour force would be responsible for over \$113 million for of GNB tax revenue. Adding in the international student impact, the tax revenue would rise to over \$129 million/year. These figures do not include local or federal tax revenue.

Table 3: Estimating the Government of New Brunswick tax benefits from recent immigrants and international students in New Brunswick

	Provincial GDP <u>contribution</u>	Implied annual tax <u>contribution to GNB</u>
Immigrants in the labour force	\$711,043,420	\$113,055,904
International students	<u>\$101,848,472</u>	<u>\$16,193,907</u>
Total impact (workers and students)	\$812,891,892	\$129,249,811

Source: Assumes the own-source GNB tax revenue to GDP ratio of 15.9%. The tax revenue to GDP ratio derived using GNB budget documents and Statistics Canada estimates of nominal provincial GDP for 2017.

3. Other positive economic impacts

There are other sources of economic revenue associated with immigration.

- As mentioned above, most immigrants bring money with them when they come to Canada and spend much of it settling here. This is not accounted for in the model but would amount to millions of dollars per year.
- The model does not include the impact of immigrant investors deploying capital in the province – again an amount in the millions of dollars per year.
- Federal transfer payments (health, education, social and Equalization) amounted to \$4,200 per capita in 2017. These program dollars are almost entirely distributed based on population so the 9,330 recent immigrants (landed between 2011 and 2016) support over \$39 million worth of these transfer payments.
- IRCC distributes \$15 million per year to support new immigrant settlement another investment not accounted for in the economic impact model.



4. Concluding remarks

- Between 2012 and 2016, the number of New Brunswickers collecting Canada Pension Plan income rose by 23,600 (or more than 13%). The number earning employment income declined over the same period.
- New Brunswick will need to attract more immigrants to address the needs arising from the increasing number of retirees and to support new growth industries.
- While there are a lot of factors that impact economic (GDP) growth, it is important to point out that real GDP growth was negative in New Brunswick between 2008 and 2013 but started to rebound since as the number of immigrants in the workforce started to increase.
- Investing in immigrant attraction and retention will be critical in the years ahead. Arguably this could be more important than investing in efforts to directly stimulate business activity. Without a growing supply of workers, industry overall in the province – transportation, manufacturing, primary industries, service industries, etc. – will not be able to grow.
- There is some potential for productivity gains and government should support this but the experience in the national economy is clear – significant growth in the immigrant workforce is highly correlated to strong economic growth.

