

# Changes in Migration: Economic and Municipal Implications

## Highlights

The demographic composition of migration is changing in Alberta and Calgary. International migration is increasing due legislative changes while domestic migration is decreasing due to recent changes in property values in Calgary and Alberta. Combined this means more younger people coming, fewer experienced people coming and many more people choosing to retire in Calgary and area.

Implications are significant for the Calgary economy and municipal services. Expect the following changes:

### Up:

- Demand for primary and secondary schools.
- Average age of the Calgary population.
- Demand for apartments and affordable housing,
- Demand for Transit service.
- Demand for seniors' recreation, parks, pathways, and organized sports.
- Need for interment facilities.
- Demand for health care facilities and services

### Down:

- Unemployment rate.
- Average household income.
- Per capita property tax revenues.

Additionally, expect demand for new construction of detached single family dwellings to continue to grow, but at a slower pace. Similarly, the pool of experienced workers in Calgary will continue to grow, but at a slower pace.

This paper begins with a short brief on international immigration in Canada and Alberta, presents analysis on the demographic shift facing Calgary and interprets what this means for Calgary's economy and local municipal operations.

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## Briefing Note

### Recent Immigration in Canada and Alberta

Immigration into Canada has been a matter of federal policy since 1867. Over the years policies have changed, usually in response to public outcry or labor market needs. Currently Citizenship and Immigration Canada sets targets for the number of immigrants based upon employment needs in Canada, and on humanitarian grounds. The target for 2007 was 236,758 admissions from over 200 countries, with 54% coming from these top ten:

Table 1: Country of Origin of International Immigration

Country of Origin	%
China	13.2
India	12.2
Philippines	7
Pakistan	4.9
United States	4.3
Iran	2.8
United Kingdom	2.6
Korea	2.5
Columbia	2.3
France	2

Source: Citizenship and Immigration Canada, 2007 Annual Report to Parliament

About half of all Canadian immigration comes from Asia and Pacific countries, 21% from Africa and the Middle East, 16% from Europe and 11% from South and Central America.

Table 2 shows the top 6 destinations for immigrants in Canada in 2007.

Table 2: Destinations of Permanent Residents admitted to Canada

City	Immigrants 2007	% of Immigration
Toronto	87,136	36.8
Montreal	38,710	16.4
Vancouver	32,920	13.9
Calgary	11,239	4.7
Winnipeg	8,472	3.6
Edmonton	6,535	2.8

Source: Citizenship and Immigration Canada, 2007 Annual Report to Parliament

Table 3 shows the international immigration to the top 5 destination Provinces in 2007, and the relative size of those Provinces compared to the Canadian population. Ontario and British Columbia have received a greater than population proportionate share of international immigration while Alberta, Quebec and Manitoba have received a less than population proportionate share.

Table 3: Population Proportionate Immigration in Canada

Province	Immigration 2007	Percent of Total Immigration	Province Population (% of Canada Population)
Ontario	111,312	47.0	38.8
Quebec	45,208	19.1	23.4
B.C.	38,941	16.4	13.2
Alberta	20,857	8.8	10.5
Manitoba	10,955	4.6	3.6

Source: Citizenship and Immigration Canada, 2007 Annual Report to Parliament, and Statistics Canada

## Special Partnerships on Canadian Immigration.

1971 the Québec-Canada Accord came into effect. There have been four versions of the Accord, the most recent one enacted in 1991. Under this Accord, Québec receives as many immigrants as it wants. Worded broadly, the overall intent of the Accord is that Québec will ask for and receive a share of immigrants proportional to the Québec population. Québec also has the right to select which applicants it wishes admitted and has sole responsibility for the administration of all settlement services in the province.

Since 2001 the Federal government has recognized that international immigration is a shared responsibility between national and provincial governments. To effectively manage national immigration several federal/provincial agreements have been negotiated with the Quebec-Canada Accord being the blueprint. Agreements are now in place in British Columbia (2004), Saskatchewan (2005), Manitoba (2003), Ontario (2005), New Brunswick (2005), Prince Edward Island (2007), Newfoundland (2006), Yukon (2001), Alberta (2007) and the City of Toronto (2006). Generally these agreements provide that each province will ask the federal government for a certain number of immigrants and proportionately to their provincial population the federal government will attempt to meet those requests. Settlement services under these agreements remain the responsibility of the federal government.

The most interesting agreement negotiated so far is a MOU between the federal government, the province of Ontario and the City of Toronto. The MOU is the first one that recognizes municipal interests, but is limited in that it only recognizes the municipal role in promoting employment, assisting with settlement services and providing opportunity for civic engagement. Toronto has no say under the MOU as to what type of immigrants it wishes to receive.

## Recent Changes to Alberta Immigration Policy

On May 4, 2007 The Alberta and federal Governments entered into an agreement on immigration. Under this agreement Alberta will tell the federal government how many international immigrants it wants and the federal government will steer that many new international immigrants toward Alberta, up to a population proportionate amount. In addition, limits on the number of temporary foreign workers were removed, allowing Alberta employers to import as much foreign labour for their operations as they want.

This represents a significant shift in Provincial migration. Previously the typical profile of people coming to Alberta was a middle-aged couple with children coming from Vancouver, the maritimes, Toronto or Saskatchewan and who had a working knowledge of English. With a more open international immigration policy in place the demographic makeup of migration to Alberta will change significantly.

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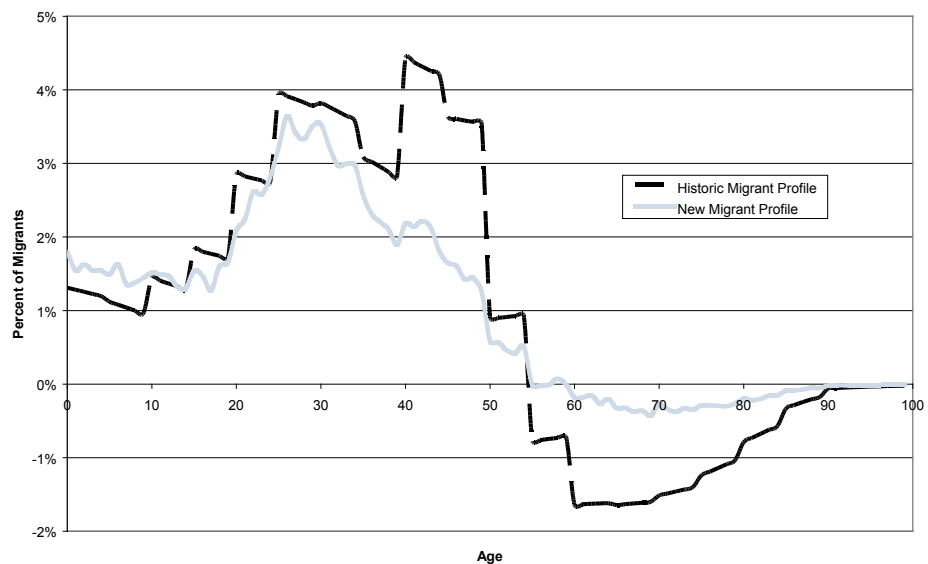
### Demographic Changes

Changes to international immigration rules are expected to have a significant impact upon the age distribution of migrants to Calgary. The following chart shows the historic age distribution of people migrating to Alberta and the expected age distribution under the new immigration policy.

There are three important things to observe in this chart:

- Proportionately more migrants to Calgary are expected in the 0-18 age groups. Coupled with greater migration to Calgary than under the old migration rules, this implies greater pressure on social systems than is currently being felt in already stretched systems like schools, health care and recreational opportunities.
- Significantly less migrants to Calgary in the 35-50 age bracket. Traditionally Canadians have viewed “The West” as a land of opportunity and some middle aged people have chosen to relocate to Calgary in search of a better life for themselves and their families. Recently, with an aging work force across Canada and with rising housing prices in Calgary, people in the 35-50 age group do not need to leave their home provinces to seek those opportunities, and find it increasingly unaffordable to make the transition if they want to. Meanwhile, international

Figure 1. Changing Age Demographics of Alberta Immigration



Sources: CMHC, Statistics Canada, Special demographic run of Statistics Canada migration data for the City of Calgary.

immigration policy favors people under age 40 for health and economic reasons. Together, this implies a significant reduction in the number of experienced workers migrating to Calgary.

- Calgary has been known as a place to find work and raise a family, but it hasn't been known as a place to retire. Traditionally, Calgary has experienced net out-migration of people starting at age 55. Significant in-migration of young people combined with strong out-migration of retirees has historically kept the average age of Calgary inhabitants relatively young.

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Table 4 shows the median age of selected Canadian Census Metropolitan areas as of July 2006, with the 6 most populous CMAs highlighted. Calgary currently ranks as the youngest large Census Metropolitan Area in Canada. The youngest CMA is Lloydminster Sask. (27.8) and the oldest is Parksville B.C. (56.4). Note that “Wood Buffalo” is the Fort McMurray area, the site of significant oilsands development.

With a shifting migration demographic Calgary’s position on Table 4 is destined to drift downward over time.

Corporate Economics maintains demographic population models for the City of Calgary. As Calgary’s population demographic is significantly impacted by migration, which is impacted by the overall economic conditions in Calgary and around the world, the mod-

Table 4: Median Age of Selected Canadian Census Metropolitan areas and ranking out of 153 CMAs

<b>CMA Name</b>	<b>Median Age</b>	<b>Rank</b>
Wood Buffalo - CA (Alta.)	31.6	7
Okotoks - CA (Alta.)	32.4	10
Red Deer - CA (Alta.)	33.4	13
Calgary - CMA (Alta.)	35.7	15
Saskatoon - CMA (Sask.)	35.8	16
Edmonton - CMA (Alta.)	36.4	18
Kitchener - CMA (Ont.)	36.4	19
Oshawa - CMA (Ont.)	37.5	30
Regina - CMA (Sask.)	37.5	31
Toronto - CMA (Ont.)	37.5	32
Ottawa - Gatineau (Quebec part)	38.2	35
Winnipeg - CMA (Man.)	38.8	46
Halifax - CMA (N.S.)	39	48
Vancouver - CMA (B.C.)	39.1	50
Montréal - CMA (Que.)	39.3	52
Moncton - CMA (N.B.)	39.4	53
Canada	39.5	54
Charlottetown - CA (P.E.I.)	39.9	60
Hamilton - CMA (Ont.)	39.9	61
Saint John - CMA (N.B.)	40.5	69
Québec - CMA (Que.)	41.7	84
Victoria - CMA (B.C.)	43.1	110
Kelowna - CMA (B.C.)	43.4	114
Cape Breton - CA (N.S.)	44.3	131
Penticton - CA (B.C.)	47.9	150
Parksville - CA (B.C.)	56.4	153

Source: Statistics Canada: 2006 Census

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els employed by Corporate Economics are more complex than standard life-cycle models usually employed in demographic analysis.

Table 5 shows the difference between two runs of population projections produced by the Calgary Economic Model. The model runs contain reasonable assumptions on economic parameters likely to be seen in Calgary and around the world over the forecast horizon but differ in one key input, the demographic profile of migrants. In the base case scenario historical migrant profiles are assumed. In the test case CMHC and Statistics Canada migration profiles under new immigration policies are utilized. It is important to note that size of the total population does not differ greatly between the two cases, but the demographic makeup undergoes significant shifts.

Table 5: City of Calgary Change in Population Demographics

	Age Group			
	0-19	20-39	40-64	65+
2008	2,678	11	(6,753)	5,307
2009	3,008	(1,171)	(9,617)	8,694
2010	3,338	(2,199)	(12,643)	11,935
2011	3,657	(3,162)	(15,908)	15,158
2012	4,013	(3,835)	(19,185)	18,152
2013	3,320	(3,102)	(19,563)	17,616

Source: City of Calgary Economic Model augmented with CMHC Alberta immigration profile data.

By 2013, the Calgary Economic Model shows a lowering of growth in working age population by about 20,000 and a corresponding increase in growth of the non-working age population. Experienced workers are not coming to Calgary in the numbers they used to while retirement migration to places outside Calgary almost ceases completely.

Table 6 Projected growth rates by age group

Predicted Average Annual Growth Rates 2008-2013

Age Group	0-19	20-39	40-64	65+
Historic Trend	1.3%	1.6%	3.3%	-0.1%
New Trend	1.4%	1.4%	2.8%	2.1%

Source: Corporate Economics: Calgary Economic Model

Table 6 shows the projected growth rates of the Calgary population, broken down by age groups under the historic migration pattern and the new migration pattern. This shows the absolute increase in retirees staying in Calgary and the slowing growth of people aged 40-64 choosing to make Calgary home. With the baby boom generation in their mid 50's now, the growth in the 65+ age group is expected to continue to rise significantly over 2013-2023 while the rate of growth in the 40-64 age group is expected to drop from 2.8% to around 1.8%, settling at 1.4% after 2023.

## Implications

### Calgary Economy

This will have dramatic implications for the Calgary economy. Our expectations are for:

- Lower unemployment rates. Unemployment rates in Calgary may dip below what is considered the full employment level of 3%. With a decrease in growth of the most employable age cohort 35-55, we expect employment to rise in age cohorts that have traditionally had higher unemployment like the under-20 and over-60 age groups. This will cause an overall decrease in the unemployment rate. Even so, employers will find it more and more difficult to find educated and experienced staff to meet their needs. Upwards of 8-10% of jobs created in Calgary over 2009-2013 may not be filled.
- Average household income expected to decline. Typically it takes several years for international migrants earnings to rise to the level of the average resident. This is due to difficulties with language, difficulties in recognition of foreign accreditations, time needed to adjust to new surroundings and to integrate into the community. A larger proportion of the community being fresh international migrants means a lower average household income. The expected reduction in inter-provincial migration of experienced workers amplifies the drop in average household income.
- Increased need for apartments, affordable housing and social support. International migrants typically bring little cash with them when they come. Citizenship and Immigration Canada only requires they bring \$10,000 plus \$2,000 for each dependent, which is not sufficient to purchase accommodation in Calgary. International migrants must rent, usually for an extended period. The Calgary rental market currently stands at about 100,000 units with about 3,000 of them expected to be vacant in 2009, and an additional 10,177 under construction. New international migration will likely require an additional 10,000-12,000 units of lower priced rental accommodation and affordable housing over the next 10 years.
- Softening demand for new construction of single-family houses. The primary market for single family houses are people aged 35+ in Calgary. Before that people generally rent and enter the home ownership market through the more affordable condominium market, though some do buy fix-up properties as investments or buy houses and take in lodgers. With growth in the 35+ age group slowing significantly so will demand for new construction of single family homes. It is difficult to put an estimate on the magnitude of the softening of demand because it is unknown how many retirees will choose to stay in their homes or move to assisted living type dwellings. If all retirees stay in their homes, growth in demand for new detached construction can be expected to soften to 1.8% to 1.4% over 2008-2028. If retirees do not stay in their homes, growth in demand for new detached dwellings will soften further.

### Implications for Local Municipal Government

There are some serious implications for local government services as a result of this migration demographic shift. In general, this means less revenue and greater



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costs for local municipalities throughout Alberta. In Calgary the following impacts are expected to be observed:

- Increased need for social services. Greater proportion of the population being of lower income implies greater risk of illegal activities. Greater police presence, with a greater diversity and depth of understanding of multi-cultural populations will be required to meet the needs of international migrants. Affordable housing will experience increased need with waiting lists for Calgary Housing growing monthly. 10,000-12,000 new low cost or affordable housing units may be needed over the next 10 years. Undoubtedly some of these needs will be met with secondary suites due to recent changes to City bylaws enabling this type of re-development in residential neighbourhoods.
- Decreasing average property tax revenues. We expect about a 1% per capita drop in property tax revenues as a result of increased international migration being housed in lower cost rental accommodation. With increases in lower cost rental suites the overall value of the housing stock is not expected to rise at historical norms when the population increases. The property tax revenue decrease should happen imperceptibly slowly but should approach 1% per capita annually by the end of 2018.
- Increase in demand for public transit. Increased international migration means increases in transit ridership. The people coming are more accustomed to denser populations and greater use of public transportation. Estimates are difficult to provide, but we should expect significant ridership increases in 2008 and 2009 of about 1 million rides per year and continued growth in the order of 0.5 million rides per year for the next 10 years. With ridership currently growing at about 2.5 million rides per year this translates to a long term average growth increase to 3 million rides per year. To maintain current transit service levels in the face of this growth Calgary Transit capacity should be increased by 30% over the next 10 years.
- Mixed increases in demand for recreational facilities. Generally speaking, the demographic now moving to Calgary prefers open spaces and organized sport to indoor activities like swimming. Look for significant increase in demand for soccer fields, pathways, parks and social meeting spaces while demand for pools, ice rinks and other indoor sports stagnates.
- Significantly increased demand for retirement services including; health care facilities, ambulance service, assisted living services, recreational opportunities, income support services provided municipally like reduced fares/fees. With more people choosing to retire in Calgary also look for greater demand for funeral and interment services. The Calgary Economic Model predicts a change in mortality in Calgary; previously relatively constant mortality rates of 5,500-5,800 deaths per year are expected to grow to 6,300 annually by 2013. Between 2008 and 2013 1,500 more deaths are expected in Calgary due to demographic changes in out-migration. The outlook is for demand for interment services to increase dramatically beyond 2013.



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## Who We Are

Over the past ten years Corporate Economics has researched dozens of economic topics and developed reliable methods of forecasting and analysis. Monitoring economic trends allows us to develop unique insights on how external events are impacting the local economy and the Municipal Corporation. We provide services in four areas: forecasting, information provision, consulting and policy analysis.

For more information, please contact:

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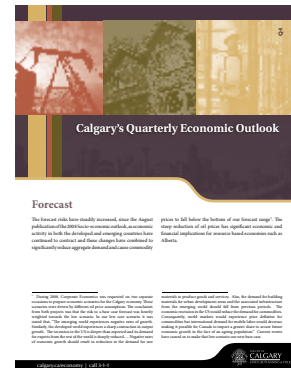
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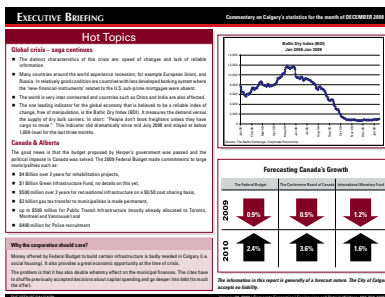
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