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DON J. DEVORETZ

IMMIGRANT ISSUES AND CITIES: LESSONS FROM MALMÖ AND TORONTO

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2/04
National debates surrounding immigration, tolerance and integration are hallmarks of the early 21st century. However, immigrants no longer move to countries but concentrate in cities where the immediate benefits and challenges of immigration arise. What happens to a city when immigrants become the numerical majority in one or two generations? How do cities convert this revolutionary change from a potential liability to an asset? In short, what immigration and integration policies at the city level can turn immigrant-receiving cities into successful and celebrated world metropolises? These questions are addressed in light of the experiences of Malmö and Toronto.

Keywords: immigration, integration, urban economics

“The children of immigrants, straddling two cultures, inevitably turn away from their parent’s experience and assert their own commingled identity” (Rosie DiManno, Immigrants isolated: Tell that to their children, Toronto Star, March 15, 2004).

Introduction
In the 21st century immigration is being redefined in terms of its volume and spatial dimensions. As a result of these immigrant patterns, new “majority-minority” immigrant receiving cities are emerging in North America and Europe. Several metropolises worldwide now receive a complex pattern of immigrants who will soon constitute a (near) majority of their populations. Under these conditions, immigrant integration within these cities remains in doubt due to the aggregate size of these minority groups, their diverse cultural, varying religious and linguistic roots and the inability of the immigrant gateway cities to respond to the corresponding challenges of integrating these diverse immigrant populations. Overall immigrant flows at the national level are less dramatic. Even an expansive immigrant country such as Canada receives just a small fraction, less than one percent, of its population in the form of recent immigrant arrivals. However, immigrants do not go to countries, but rather immigrants settle in selected
gateway cities. In fact, it could be further argued that the immigrant’s ultimate destination is a neighborhood in the selected gateway city. There are sound economic, linguistic and social reasons for this spatial concentration, which I will later discuss. However, the major implication of this spatial pattern is that the ultimate receiving area or the immigrant gateway city does not have control over the sources, timing or size of its annual immigrant inflows since these decisions are still the prerogatives of the nation state. Economists, of whom I am one, recognize further spatial dimensions in terms of the cost and benefits of immigration. I have argued elsewhere that the substantial short-run cultural, educational and direct economic costs of immigration are absorbed at the neighborhood level. However, the many benefits of immigration are diffused over the nation state or generated across time by the second generation of immigrants. This asymmetry in the distribution of costs and benefits leads to the general proposition that: *even if the economic benefits of immigrants are positive in the long run the majority of the resident population is neutral or against further immigration at any one point in time.*

The underlying argument to support this proposition is that the costs of immigrant integration are highly concentrated and elicit a great deal of political response. On the other hand, the benefits while larger are widely distributed and not considered important to the native-born recipients.

The challenge of policy makers is to redistribute the short-run costs of immigration away from the neighborhoods or cities and simultaneously create a longer time horizon to evaluate the economic benefits of immigrants. It is the thesis of this lecture that to guarantee successful immigrant integration at the neighborhood or metropolis level requires that all levels of government first recognize the need to redistribute the costs and benefits of immigration and that both local governments and nation states engage in the integration process.

Given this recognition of the need to redistribute the costs and benefits of immigration many questions now arise:

1. **What can be done at the Metropolis level to affect this redistributive change?**
2. **What policy instruments that affect immigrant integration are under the control of these local officials?**
3. **How can nation states aid in the redistribution of immigrant impact costs across time and space?**
4. **Is there a common ground for both residents and recent immigrants to meet for an effective immigrant integration policy?**
5. **Does there exist best city level integration practices, which can be transferred across cities?**

It is the purpose of this essay to provide answers to these questions.
Forces of Agglomeration

How did we arrive at this position of the predominance of cities as the gateway points for immigrants? Why have cities grown as a magnet for immigrants in the face of employment and cost of living challenges? In short, what are their natural economic forces of immigrant agglomeration and would a policy of immigrant dispersal be self defeating or harmful to an immigrant?

Chiswick and Miller (2002) have carefully modeled the persistent economic forces that lead to the growth in immigrant enclaves and outlines why this regional agglomeration is economically optimal for the recent immigrant arrival. They argue that an enclave has an advantage in providing “ethnic” consumption goods even though the enclave may not provide the most remunerative labour market. Thus, immigrants choose their location as a trade-off to being further away from better paying jobs versus the proximity to low cost “ethnic” consumer goods. The goal of the immigrant from Chiswick and Miller’s viewpoint is to choose a local that provides the highest real wage. In other words, enclaves with lower expected nominal wages may be preferred to outlying regions with higher expected nominal wages since the cost of living in these outlying areas outweighs the potential job benefits. This insight leads to the following two propositions that:

1. Regional dispersal of immigrants can be affected by a spatial redistribution of the immigrant job market and a wider provision of “ethnic goods”.
2. Changes in immigrant consumer tastes over time will alter the immigrant’s locational choice as “ethnic goods” become less important.

It has been argued elsewhere (DeVoretz 2003) that an immigrant enclave also allows the individual to self-insure against a bad labour market outcome. An enclave provides the immigrant with both networking information to help secure a job in the informal sector, and private forms of social assistance as well as informal mechanisms for remittances. This leads to the third proposition that:

3. In a macro economic downturn more recent immigrants will be destined for traditional enclave sectors.

In sum, it can be argued that for most immigrants, especially during an economic downturn, an ethnic enclave is the rational locational choice for an immigrant in terms of maximizing real income and co-insuring for a risky labour market. However, what may be optimal for a recent immigrant arrival may not be an optimal location decision for either the second-generation of immigrants or the society at large. This contradiction between the public and private good
arises because enclaves generate externalities, which the individual immigrant does not incorporate in his location decision but usually adversely affects the resident population.

These enclave externalities can be either positive or negative. On the negative side enclaves in their most traditional forms produce congestion or overcrowding in schools, public amenities (recreation, clinics) which in turn impact on the existing enclave residents and the adjacent neighborhoods. Borjas (1995) on the other hand argues that these neighborhood effects can also yield positive externalities, which will aid the integration process of the second generation of immigrants. Thus, Borjas argues that the Cabaña enclaves in the United States have provided strong role models for recent Cuban immigrants to acquire human capital, become entrepreneurs or professionals and stay in the community. Given these externalities then, from an economist’s viewpoint the optimal size of an ethnic enclave may be greater or smaller than we actually observe. This leads to two further propositions that:

(4) Ethnic enclaves are suboptimal in size if they produce net positive externalities.
(5) Ethnic enclaves are too large if they produce net negative externalities.

I will later explore what policy instruments are available to local governments to reduce negative neighborhood externalities while encouraging positive externalities and insuring a vibrant ethnic enclave with strong second-generation integration tendencies. I return to these policy levers in the context of Malmö and Toronto in a later section of the paper when I review the political economy of immigrant integration.

Case Studies
Toronto: Resident Canadian vision
Toronto has been receiving immigrants since its inception as a city in the 19th century. Its true emergence as a modern immigrant city occurred in the 1960s and beyond as its foreign born population grew and become more diverse. To better understand this phenomenon it is necessary to understand the evolving Canadian immigration policy, which tempered this modern immigrant growth in Toronto. Until 1967 Canada’s post-war immigration policy was based on the concept of “absorptive capacity.” This concept was founded circa 1947 on the racist principle of Prime Minister MacKenzie King that “the people of Canada do not wish to make a fundamental alteration in the character of their population” (as quoted in Anisef and Lanphier 2003:27).

By the 1960s this vision of the world had become dated given Canada’s demand for unskilled and skilled labour in the post-war period. A much more
A diverse and nuanced immigration policy was formulated in the 1960s and codified in the 1978 Immigration Act. Now three immigrant gateways appeared: economic, family, and refugee, with no regard to either an immigrant’s country of origin or ethnic group. The cornerstone of this policy was the economic or points-based system of evaluation. In its original 1970 version, an independent immigrant needed to achieve 50 out of 100 points to gain entry. Family class and refugee entrants were not economically tested, but for the most part remained a minority of the selected immigrant arrivals. Canada in effect gave up direct control over immigrant source country and tried to replace this older absorptive-based policy with policy instruments to control the distribution across entry gates and controls on the yearly total number of immigrant arrivals. The primary goal of the Canadian immigration legislation was to achieve a “colour blind” entrance system but the outcome was much more profound than just the mere achievement of this goal. The distribution of source countries for Canada’s and Toronto’s immigrants now mirrored the world’s population. In 1967 Canada admitted 250,000 immigrants with 75 percent coming from Europe. In the 1990s under the 1978 Immigration Act Canada still admitted 250,000 immigrants but now 75 percent came from non-European sources.

Figure 1 aptly depicts the growing power of Toronto (GTA) as Canada’s principle entry point circa 1980-2001. Over the sample period Toronto received an amazing total of 1.5 million immigrants or 40 percent of Canada’s total intake.

Source: Landed Immigrant Data System LIDS (CIC) Author’s calculations.

The implications of the nation-wide immigration policy on Toronto are clear. Figure 1 aptly depicts the growing power of Toronto (GTA) as Canada’s principle entry point circa 1980-2001. Over the sample period Toronto received an amazing total of 1.5 million immigrants or 40 percent of Canada’s total intake.
for the 21-year period. The spectacular growth appears after 1988 when Canada raised its national immigrant totals to approximately 250,000 annual entrants. This modern expansion in total immigrant numbers was largely absorbed by Toronto and sets the stage for Canada’s premier city to become a majority minority city. For example in 1985 Toronto received only 22,000 immigrants while by 2001 the immigrant intake was in excess of 122,000. This six-fold increase in immigration levels also led to the doubling of Toronto’s countrywide share of immigrants from 22 percent in 1985 to 50 percent in 2001. This illustrates the increasing importance of a gateway city in the Canadian context and the corresponding inability of Toronto to control the number of arrivals.

**Figure 2: Entry gates for immigrants landed in GTA, 1980-2001**

![Pie chart showing entry gates for immigrants landed in GTA, 1980-2001]

*Source: Landed Immigrant Data System LIDS (CIC)*

The unintended consequences of this “colour blind” policy were even more profound. The existence of three entry gates fortuitously provided an optimal economic mix of immigrants for Toronto (GTA), which was at that time unique for any immigrant receiving country. Between 1980 to 2001 this Canada wide immigration policy resulted in Toronto (GTA) receiving 50 percent of its immigrants in the economically assessed group (See Figure 2). In other words, for everyone economic immigrant admitted one non-economic immigrant was admitted.9

The implication of this fifty-fifty policy was that overall immigrants would be self-supporting in the long run and most importantly in the Toronto case, the city or region with the highest economic growth would continue to attract the greatest proportion of economic immigrants.

This balance of immigrant arrivals across entry gates insured that the City of Toronto would also; satisfy the Simon Principle, which in turn led to strong re-
resident support of immigration growth in Toronto. What is this Simon Principle? The Simon Principle states that:

\textit{If the marginal immigrant makes a non-negative contribution to the treasury you continue to admit immigrants until the contribution goes to zero}

This proposition argues in fact that only the public finance impacts of immigrants should influence the resident population’s economic assessment of their arrival.\textsuperscript{10}

The implication of the Simon Principle is that if the immigrant pays more into the treasury than he-she uses in services than the resident population receives a subsidy.\textsuperscript{11} Under this condition it is difficult for the resident population to argue against further immigration on economic grounds and the potential critic of immigration policy must then invoke a set of much more contentious cultural or political reasons for halting immigration.

It is instructive to see how compelling the Simon Principle is in the modern Canadian urban context. Table 1 represents a series of calculations for both Canadian and foreign-born populations estimated lifetime contributions to both the federal and provincial treasuries in three major Canadian cities.\textsuperscript{12}

\begin{table}[h]
\centering
\caption{Net Present Value of Public Finance Transfers by Canadian Cities: 1995}
\begin{tabular}{lccc}
\hline
\textbf{Location} & \textbf{Canadian born} & \textbf{Foreign-born} & \textbf{Col. (3)/Col. (2)} \\
(1) & (2) & (3) & (4) \\
\hline
Canada & 87,300 & 73,438 & .84 \\
Vancouver & 129,791 & 73,549 & .57 \\
Toronto & 185,510 & 84,194 & .45 \\
Montreal & 98,450 & 15,940 & .16. \\
\hline
\end{tabular}
\end{table}

\textit{Source: Pivnenko and DeVoretz 2004a}

Pivnenko and DeVoretz (2004a) report that on average, the representative immigrant household in Toronto contributed $84,194 (1992 Canadian dollars) over their lifetime to the national and provincial treasuries. This value exceeded the foreign born contributions in other Canadian cities or the foreign-born national average. In fact, the Toronto immigrant public finance transfer nearly equaled the average Canadian-born average ($87,300) fiscal contribution. In fact only Montreal’s foreign-born contribution ($15,940) fell well below the Canadian-born national public transfer average ($87,300). However, the signi-
A significant point to be derived from Table 1 is that Canadian major immigrant receiving cities produced a positive immigrant financial transfer. These positive fiscal transfers were a byproduct of two forces. First, as Figure 3 depicts, each of the three Canadian gateway cities attracted 50 percent or more of their immigrants in the economic entry gate.13

Next, immigrants in general settled in Canada’s two urban centers with the most robust economies in the 1990s.14 Thus, the combination of the immigrant locational choice and a national immigrant entry policy based on a fifty percent share in the economic class produced these positive public finance transfers. However, in order to appreciate the Simon Principle any observer must have a long time horizon, which covers the age span of 25-65 years for the head of the household, and must average the fiscal transfer across an entire immigrant cohort. If either a shorter time horizon or a narrower view of an immigrant cohort is perceived by the potential immigrant critic then the Simon Principle can be reversed and a specious anti immigrant economic argument can be made by this uninformed critic. Examples of this inappropriate use of the Simon Principle include concentrating on the public finance transfers of immigrants only upon arrival when the immigrant’s income suffers a penalty upon arrival rather than viewing their lifetime history when both income and tax payments rise.15 In a similar vein, critics of immigration critics often only apply the Simon Principle to selected groups, refugees, and then generalize this finding to all foreign-born.

Even given these caution notes to employ a long time horizon and an inclusive

Figure 3: Distribution of Immigrants by Entry Class Across Canadian Cities: 1990-1995 arrivals

Source: Landed Immigrant Data System LIDS (CIC) Canada
cohort, nonetheless there still exists a fundamental flaw in the Simon Principle if a spatial dimension is not incorporated into the principle. The simultaneous occurrence of immigrant enclaves and negative economic externalities create aerial redistributions of financial costs and benefits from immigrants. A simple case can illustrate my point. In the case where an immigrant household pays more in taxes but uses educational, recreational and health clinic facilities intensively these activities disproportionately affect the neighborhood in the form of congestion externalities. This is the classic case of asymmetry in which the neighborhood bears the majority of the immigrant integration costs in the form of pecuniary and externality costs while the tax benefits go to higher government level. The Simon Principle may be satisfied in a formal aggregate sense, however, the existence of an immigrant enclave, which serves the interest of the immigrant community also redistributes the impact costs to the neighborhood level. Thus the locational distribution of urban immigrant costs and benefits is central to the urban economic evaluation of immigrants and we return to these important issues in my conclusions.

**Toronto: Recent Immigrant Vision**

Social and economic integration is a mutually defined principle. The Simon Principle is the central economic principle to measure economic integration from the host country’s resident population. But what measures are available for the immigrants to self-assess their degree of integration? Is this measure an absolute one or is it relative to some reference group and is this reference group found in the neighborhood or in a wider social space? Finally, does the self-assessed integration measure vary over time for the immigrant?

Economists for the last thirty years have employed a relative income measure over time to assess the degree of immigrant integration. It must be kept in mind that approximately 50 percent of Toronto’s (and all city bound immigrants in Canada) are selected on the basis of their capacity to economically contribute. Thus, an economic return to this movement is also a medium term measure of economic integration for immigrants.

The central question in the immigrant’s mind is how long will it take an immigrant to “catch-up” to his (her) relevant reference group’s income level? Figure 4 illustrates the stylized nature of the immigrant earnings “catch-up”. If the immigrant
enters at age 27 initial earnings will lie below his (her) native-born cohort. Then, according to this optimist diagram 15 years pass and the immigrant “catches up” to the native-born at point x. Thereafter the economically selected immigrant with added human capital outperforms his native-born cohort.\(^1\) Why should there be a period of “catch-up” especially if the points system is an effective screening tool for approximately one half of Toronto’s (or Canada’s) immigrant entrants? Economists speculate that immigrants must equip themselves after arrival with both country specific human capital and to learn the conditions to achieve labour market mobility.

Figure 5 depicts the degree of “catch-up” or the speed of economic integration for Canada-wide immigrant arrivals circa 1980 after 17 years in Canada. Regardless of entry class (family, refugee or economic) the rise in real income is impressive in absolute terms with over a $10,000 income gain in real terms for the sample period. Once again, the inherent earnings advantage of the economic entry class is readily apparent from Figure 5.

In fact, the implication of Figure 5 is that the skilled entry group took only 12 years to “catch-up” to its Canadian-born cohort. Beyond the twelve year period the 1980 landings cohort earnings outperformed its Canadian-born cohort until retirement. In this very conventional story of immigrant earnings catch-up and then earnings over achieving the individual immigrant would judge this experience to be a success since the initial 12-year deficit in earnings was more than offset by a 25-year surplus in earnings.

\(^1\) Source: IMDB Mobility Series MOB 101E
But how are we to assess this “catch-up” measure of economic integration when a citywide economy comes under more pressure as depicted in the arrival numbers in Figure 1? Does the immigrant view his progress after arrival a failure if the “catch-up” period is now 20 years or longer? Figure 6 illustrates the recent case of the prolonged “catch-up” phase in the Toronto context. This failure to economically integrate has lead to several problematic outcomes at the citywide or neighborhood level.

Figure 6: Assimilation Profiles for 1980 Family Class, Skilled and Refugee Cohorts in Ontario: Employment Earnings (in 1992 Canadian dollars)

First the Simon Principle is now violated since both tax payments decline and public transfers to immigrants rise in a welfare state. Now immigrants are viewed by the resident population as not contributors to the provincial and national treasuries but as a drain on public finance. Next, the immigrant enclave neighborhoods become poorer. In the 1970s and 1980s immigrants who entered Toronto’s poorest neighborhoods actually raised enclave per capita incomes and reduced the immigrant enclave’s poverty indices (Ley, 2000). However, by 2001 due to the forces in figures 1 and 5 enclaves of immigrant poverty were growing in number and size in Toronto. It was to be expected that the number of immigrant enclaves and their absolute populations would grow given the patterns contained in Figure 1. At least in the short-run the greater concentration of immigrants to Toronto implied a proliferation of immigrant enclaves both in traditional core areas and then out to the suburban areas. This sub urbanization of immigrants was unexpected and has led to complex integration problems as the cost of integration is now more widely defined. This process of the sub urbanization of immigrants itself would have sustained a net positive public finance transfer over a wider space if there also had not been a collapse in

Source: IMDB Mobility Series MOB 101E
Toronto immigrant earnings in the 1990s. This post-1990 scenario has meant that immigrants and their enclaves have fallen below the poverty indices in many areas.\textsuperscript{17} Several explanations have been offered to rationalize this collapse in earnings, but wage discrimination, lack of recognition of credentials and an increasing proportion of non-economic immigrant arrivals are all competing explanations. To the extent that these explanations are correct it is important to note that remedial action at the local level has yet to be taken.\textsuperscript{18}

The central question now is how the individual immigrant has reacted to this retardation in earnings and the slowdown in the “catch-up” process? First, many immigrants have sought remedies through the legal system with attempts to sue both the federal government for raising employment barriers and making false representations to immigrants about the value of their credentials prior to their arrival.

In a landmark case immigrants sued the Canadian government to recognize their professional qualifications. Immigrants brought a class action case to the Canadian Supreme Court arguing that the requirement of Canadian citizenship for federal employment was a discriminatory act. They failed in this suit as the Canadian Supreme Court claimed that citizenship was in effect open to all and did not therefore act as a barrier.

In a more dramatic case, a class of immigrants argued that the federal government was deceptive and practiced fraud by requiring professional degrees and qualifications for entry in the economic class but then did not inform the immigrant that their degrees would not be recognized at the provincial level. This legal action is still under review. In addition to these legal actions immigrants have taken extensive political actions since they represent a significant voting bloc at the immigrant enclave level.\textsuperscript{19}

This political power has been translated into a variety of actions to accelerate the integration process including a budgetary promise to set up pilot programmes for credential recognition and remedial training.\textsuperscript{20} The reaction of Toronto’s (and Canada’s) non-governmental immigrant organizations to this collapse in earnings has also been instructive. These organizations have been the leader on both the educational and political fronts to address enclave poverty problems and associated issues of credential recognition. The structural nature of these organizations is critical to the success or failure of the immigrant integration process in the enclave sector. The most successful immigrant integration organization is a uni-ethnic organization, which performs at “arms length” from any form of government. All of Canada’s major NGO or immigrant service organizations are city based and divide themselves either into uni-ethnic or multicultural service groups.\textsuperscript{21} Their funding is a combination of private and public funds. However, the government has no role in these organizations other than
an accounting oversight. The boards of directors of these NGOs are immigrant based; their goals and activities and the terms under which they deal with their clients are totally determined by the organizations themselves.22 Thus, the NGO construct in the Toronto context is tied to the immigrant community and run by immigrants themselves. The Canadian rationale for this model is clear; the Canadian federal government over the last decade has made it a policy initiative to remove itself from immigrant delivery service. The philosophical underpinning of this decision is that immigrant groups know best how to provide needed services. There were of course other reasons for this strategic change in the provision of integration services. The federal government began a process of “block funding” to the provinces and in turn individual NGO organizations to place a cap on immigrant service funding. Finally, the federal government had a political objective, namely to place the contentious burden of immigrant integration on lower levels of government whilst it enjoyed the political capital as the gatekeeper.

This successful model of immigrant service provision has one classic problem as seen by Shibao Guo (2004). He argues that these NGO service organizations reintroduce the controversial doctrine of multiculturalism versus uni-culturalism in the provision of immigrant integration services. In the Canadian context an integration doctrine has emerged that only ethnics can provide efficacious immigrant services to co-ethnics. The success of the uni-ethnic NGOs has added evidence to support this doctrine.23 Whether the 21st century with its fragmented immigrant groups and its emerging economic and political problems will support the mission of the uni-cultural NGO remains to be seen.24

Individual migrants who faced dire economic circumstances were also undertaking individual initiatives to cope with these changing circumstances. First, immigrants invested in their children by financing and encouraging inordinately high levels of educational attainment. Why do immigrants react to a difficult economic situation by further investing in their children? The answer to this question is crucial to aid our understanding of the immigrant integration process and relates to a thesis of this paper that immigrants have a longer time horizon than either the resident population or its governments. In a series of interviews conducted by this author on the rise in the difficulties associated with economic integration many failed immigrants argue that they remain in Canada because of their children. In other words, immigrants’ current economic expectations have fallen given the labour market crisis but these immigrants await the as yet unrealized economic claim of the second generation.25

Finally, a rising minority of discouraged immigrants is leaving to return home or move on to another host country. This exit migration can exacerbate the declining performance of immigrant enclaves if the returning are skilled and have
left because their skills are not recognized. DeVoretz, Ma and Zhang (2003) have investigated a segment of this reverse immigrant flow to measure its skill content relative to those who remain in the Canadian immigrant enclave. They conclude that for the recent Hong Kong Chinese experience that the most productive immigrants have left Canada as Canadian citizens to reside in Hong Kong. This loss of the highly skilled in the Toronto enclave community is complicated by the phenomenon that many of these erstwhile Canadian immigrants are planning to return in their retirement or have left their children behind in Canada for further schooling.26

Some recent immigrant arrivals of course have not experienced dire circumstances and these documented immigrant “overachievers” point us to a new direction in understanding the economic integration process of 21st century Canadian immigrant arrivals. Pivnenko and DeVoretz (2003) have studied the most recent set of Ukrainian overachievers in the Canadian context to uncover what forces have been put in place to determine their immediate economic integration.27 They conclude that education, recognition of their credentials and self-selection are the leading factors, which have hastened their immediate integration into the North American economy.28 In addition, Pivnenko and DeVoretz note that the attainment of citizenship, an important step in integration, provides an economic bonus to the performance of recent Ukrainian immigrants.

In sum, we have a series of individual, NGO and government strategies to cope with this declining speed of immigrant economic integration in Toronto (and other Canadian cities) in the late 1990s. The integration situation is in flux, however, the majority of recent immigrants remain in Canada and there appears to be some recent evidence of immigrant earnings recovery as NGOs fight for credential recognition and the government raises the entry standards for fewer more talented immigrants.

Transferable Integration Lessons?
The economic integration of Toronto’s immigrants over the last 25 years has been a mixed record of dynamic adjustment by the state, the resident population and the individual immigrant. On the one hand Toronto (GTA) has absorbed several million immigrants in this 25-year period who on average continue to make a net contribution to both the treasury and the economy in general. Recent immigrants, especially from non-European sources have faced further barriers in terms of credential recognition, retraining and licensing to regain their professional qualifications. The individual immigrant response has to join self-help groups (NGOs), gain political power and to invest in the second generation. A minority of immigrants has left Canada. Whether these individual or group actions will once again restore economic immigrants in Toronto to the
general overachiever category is of course not a forgone conclusion. The emphasis on schooling for both the first and second-generation immigrants has been the strongest and most fruitful reaction by local and provincial governments to the need to accelerate immigrant integration. However, the existence of a flexible and growing labour market for both skilled and unskilled immigrant services is ultimately the cornerstone of Toronto’s successful economic integration. The decade expansion of Toronto’s economy across all skill levels and the decline in the growth rates of Canadian entrants in the labour market insures that any expansion in the labour market will be supplied by a foreign-born labour contingent. In addition, flexible labour markets in Toronto allow the expansion of the immigrant service industry and unskilled labour employment in the self-employed sector to absorb the shocks in the Toronto labour market.

The political actions and the economic investments by individual immigrants to overcome these economic barriers to economic integration has been the one major transferable lesson on immigrant economic integration. We now turn to our Swedish example of an immigrant-receiving metropolis.

**Malmö: Resident Swedish Vision**

When the resident in Malmö views the foreign-born resident population statistics circa 2001 many conventional views are confirmed but a few surprises emerge. First, as expected Malmö has a sizable percentage of foreign-born (29 percent) but a much smaller percentage (less than 10 percent) could be classified roughly as visible minorities. 29

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**Table 2: Descriptive Statistics: Malmö Males 2001**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Swedish</th>
<th>All F.B.</th>
<th>Finland</th>
<th>Iraq</th>
<th>Jugo</th>
<th>Iran</th>
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<td>Age</td>
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<td>47,7</td>
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<td>Gym</td>
<td>Gym</td>
<td>Eftergym</td>
<td>Gym</td>
<td>Gym</td>
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<tr>
<td>% of Modal</td>
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<td>44,3</td>
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<td>50,4</td>
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Male residents in Malmö had varying human capital endowments. Inspection of Table 2 allows a comparison between various foreign-born groups (Finland, Iraq, etc.) and the Swedish-born. Two crucial variables which affect earnings, age, and the employment vary substantially across groups. Finish immigrants are substantially older than any other population and male Iraqis are the youngest. Even more substantial differences appear in the employment rates ranging from 42,9 percent for foreign-born males to 74,1 percent for Swedes.
Only the educational attainment variable is similar across groups except for Iraqi males.

**Table 3: Descriptive Statistics: Malmö Females 2001**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Swedish</th>
<th>All F.B.</th>
<th>Finland</th>
<th>Iraq</th>
<th>Jugo</th>
<th>Iran</th>
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<td>% of Modal</td>
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Female residents in Malmö produce again dramatic differences in employment rates with Iraqi females also differing in age (more youthful), and are more highly educated than the female Swedish-born reference group. In sum, these two brief snapshots clearly indicate that employment rate differentials will no doubt affect the income assimilation and tax payments for Malmö’s foreign-born population.

**Figure 7: Swedish Public Finance Transfers by Birth Status 1992**

Given the economic and social characteristics of the 2001 stock of Malmö foreign-born residents described above it would be instructive to know if the Simon Principle held in this context. Unfortunately Swedish studies to date on the Simon Principle are dated and in the aggregate. Nonetheless, Figure 7 is suggestive and I will make some assumptions to work with this aggregate data on the local level. First, it is obvious in the Swedish case that Simon’s theoretical life cycle model holds for both the Swedish-born and foreign-born residents cir-
ca 1992. In other words, the transfer function is concave in shape with a surplus appearing during most of the household’s working life. Given the entire stock of Swedish foreign-born circa 1992 a positive public transfer begins to appear approximately at age 30 and continues until about age 65. The Swedish-born contribution begins at an earlier age, 25 and is more pronounced but also declines to a zero transfer at age 65 also. The undiscounted transfer as reported by Gustafson and Osterberg (2001) for the representative foreign-born household circa 1992 obtains a relatively small negative value of 11,272 (SEK 1990 prices) for all Swedish foreign-born residents. This latter point is important to note since as our previous immigrant population analysis of Malmö showed the foreign born population consists primarily of refugees or members of the family class.31 In addition, the concave shape of the Swedish public transfers indicates that if a small public finance deficit occurs as in 1992, then the remedy to reinstate the Simon Principle is straightforward, either foreign-born income must rise faster or publicly financed consumption items must be reduced, or both. In other words, the Swedish case is not analytically different than the Canadian (or any other documented) case. I now turn to Figure 8, which confirms this observation in more detail.

Figure 8 indicates how sensitive the Swedish foreign-born public transfer results are to two key conditioners; education and visa status. If a Swedish refugee in 1992 had the minimum (or compulsory) level of education then the public finance transfers would be negative for almost his (her) entire life. On the other hand, if the foreign-born resident was admitted in the labour class and had a university education then the public finance transfers outperform the average

![Figure 8: Swedish Public Finance Transfers by Visa and Education](image)

*Source: Gustafsson and Österberg 2001, p.704*
Swedish-born contribution three fold (see Figure 7). This last point is especially instructive for it parallels the experience in Toronto and other cities. In fact, it is clear from Figure 8 that a well balanced Swedish immigration programme, with a 50 percent flow of poorly educated refugees could be offset by admitting 50 percent University educated labour force entrants. We return to this observation in our concluding section.

There are several other key economic events, which can also alter the shapes of these public transfer curves in the Swedish context. First, the historical date of arrival influences these outcomes. Prior to 1988 Swedish immigrants contributed positively to the treasury and by 1992 this was reversed. According to Gustafsson and Österberg (2001, p. 705): “This change is driven by a rapidly worsened position of immigrants in the Swedish labour market.”

Secondly, years since arrival greatly accelerate refugee public finance contributions so that by the end of their working lives refugees tend to catch-up to the public finance contributions of other immigrants.

In sum, the dated aggregate evidence available on immigrant public finance transfers indicates that the Simon Principle is not satisfied for the foreign-born in general but in particular some educated immigrants do satisfy the principle. The foreign-born public finance contribution is also conditioned by year of entry, immigrant age, educational level and the number of years in Sweden.

Malmö: Recent Immigrant Vision

Given the changing labour Swedish labour market conditions for the Malmö foreign-born their primary economic concern is not income integration (as in the Toronto case) but rather employment integration (Bevelander 2000, Rooth 1999). This preoccupation arises because both the Swedish and the Malmö labour markets are inflexible in wages so that macro demand shocks to the labour markets are primarily absorbed by altering employment rates. What is the employment situation for recent Malmo refugees and what has been the long term integration trends of Malmö’s immigrants?

The long term Swedish employment rates by foreign birth status are reported in Figure 9 and clearly the degree of employment integration of the foreign-born nation-wide has decreased. Since the mid-1970s the employment rates of the foreign-born have increasingly diverged from the Swedish-born. The most pessimistic trend is that foreign citizens, the group that one would suspect to be the most social integrated is the least economically integrated in terms of employment status. Demand considerations are argued by Bevelander (2000) to be the main cause of this decline. In other words, as the employment base of Sweden and in particular Malmö shifted away from industry than the foreign-born were less employable according to Bevelander, due to linguistic and cul-
r al mismatches. In fact Bevelander (ibid.: 188) boldly states that demand side factors and the growth in demand for “Swedish informal and communicative skills (…) led to preferences for native workers”.

This is the leading interpretation of the cause of the trends observed in Figure 9, however, I will challenge this view later.

**Figure 9: Swedish Employment Rates by Birth Status: 1960-1995**

![Graph showing employment rates](image)

*Source: Bevelander 2000, p.4*

Suffice it to note at this point that this aggregate view in Figure 9 could be simply a reflection of an increasing number of refugees (as opposed to economic immigrants) entering post-1975 Sweden and perhaps the shift in source countries and the associated rise in linguistic and cultural barriers.

**Table 4: Employment Rates for Selected Male and Female Foreigners Aged 25-59**

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*Source: Bevelander 2000, p.131*

Table 4 reports the male and female employment rates over two decades by country of origin. The collapse in employment rates for all Swedish foreigners
of working age (25-59) was substantial between 1970 and 1990. However, re-
fugees from Iran, Iraq, Yugoslavia and Ethiopia experienced inordinately low employment rates in the 1990s with males in the 60 percent range or below range. Female refugees fared even worse with employment rates generally below 50 percent. Again, these particular patterns of employment rate diminution are rationalized in the literature by a combination of demand shifts against fo-
 reigners and the presumed presence of linguistic and cultural differences. At this point, I will not challenge this view but simply note that the economic integra-
tion problem for Malmö immigrants is not achieving a “catch-up” in income as in Toronto but simply getting a job.

What if you get a job in Malmö? What is the “catch-up” period before income integration with Swedes is realized?

*Figure 10: Average income for Employed by age and Foreign-birth Status*

The first observation is that with the exception of Finnish immigrants there exists a substantial and persistent income gap across all foreign-born age groups and Swedes. In other words there is no “catch-up” in earnings. The existing in-
come gap however is relatively small for the young and the old with the excep-
tion of Iranian and Iraqi refugee populations. During the key income earning years, 35-55 the income gap is at its largest with a 25 percent deficit in earnings between Swedes and the average foreign-born Malmö resident. For Iranian or Iraqi refugees this gap is 45 percent in the 35-55 year old age group.

In sum, at least since the 1990s Swedish and Malmö experiences both in employment and earned income no longer follows the integration experience that I outlined in Figure 4.
Summary and Conclusions

The economic integration of the foreign-born into the contemporary economy of Malmö has not occurred in the familiar terminology of the “catch-up”. Hence, it is also clear that the Simon Principle does not hold in the Malmö context. Thus, from either the immigrants’ or the Swedish-born perspective immigrant economic integration has not occurred in modern Malmö. In the case of Toronto the Simon Principle is still being satisfied. Pivnenko and DeVoretz (2004b) however report a similar stalled integration experience for Canadian refugees and family class as was the Malmö case. Why is this so? Canada’s and Sweden’s refugee policies differ and so do their respective source countries for refugees and family class immigrants? One obvious explanation for the weak performance in Malmö and Toronto is presence of labour market discrimination. However, Toronto does not simply receive refugees; over 50 per cent of recent arrivals are in the economic class. This latter group insures that the Simon Principle is satisfied and that on average Toronto’s foreign-born “catch-up” albeit with a longer lag, to their Canadian-born cohort.

Would emulating the Canadian immigrant policy which insures at least fifty percent intake in the economic class be sufficient to insure immigrant economic integration in Malmö? Unfortunately not. Toronto has two further ingredients that are absent in the Malmö context to insure labour market integration of economic immigrants. These two ingredients are a flexible labour market and a strong NGO sector. I argue that it is not the composition of arrivals to Toronto which produce more sanguine labour market outcomes, it is these latter two institutional forces which allow immigrants to economically integrate.

Toronto’s labour market with its downward flexible wage and its large self employment sector creates entry level jobs (Hiebert 1999) unlike the recently reported Swedish experience. Immigrants or refugees are thus able to find employment in their first year of arrival. It is this immediate entry into the labour market that limits "immigrant scarring" and prevents the continuous reduction in lifetime immigrant earnings. How do the NGO or non-governmental sectors enhance labour market integration? Toronto’s aggressive immigrant based and run NGO integration organizations insure that immigrants, especially refugees and members of the family class are given job skills to match entry level jobs. Thus, even though many Toronto refugees and immigrants can not certify their past credentials they do not remain idle outside the labour market. The combination of a flexible wage and working conditions and quick remedial training by immigrant based NGOs insure a minimum of labour market scarring.

What is the approach in Malmö? Unfortunately the absence of a flexible labour market which would produce entry level jobs dooms many refugees to
idleness as the reported employment rates too readily reveal. In order to experience a “catch-up” in immigrant income a correct balance of incentives and disincentives must face the Malmö refugee. The incentives would be the prospect of an entry level job and a history of other immigrants successfully moving up the occupational ladder and entering the “catch-up” period of income earning. This positive immigrant labour market experience plus diminished public support over the immigrant’s lifetime would work in a flexible labour market. An added crucial ingredient is the training and support provided by immigrant based NGOs in Malmo. This “bottom-up” integration approach with immigrants integrating other immigrants is not in fashion in Malmö. The Swedish national metropolitan policy which designated Rosengärd in 1998 as a national development area may improve Rosengärd’s physical space but will not hasten labour market integration.34 The key to insuring immigrant economic integration in Malmö is a “bottom-up” policy with immigrant run NGO organizations providing the integration services. However, the demand for these entry level immigrant workers must be insured with a flexible wage market and a host of entry level jobs. Thus a more flexible Swedish labour market, with more “bottom-up” NGO based immigration programmes and a mixed immigrant-refugee entry program must be instituted to insure eventual economic integration. This latter point is crucial to satisfy the Simon Principle and to insure the support of Swedes for a progressive immigrant integration policy.35 Given the economic data I have reviewed above and the limited prospect of a wage flexible Swedish labour market only the introduction of a 50-50 immigrant admission policy in Sweden can ultimately allow the Simon Principle to be satisfied. In other words, unless Sweden is willing to balance in foreign-born entry program to include highly skilled labour then a continuation of the current policy of admitting only refugees who have little hope of economic integration is not sustainable. Thus, the policy levers open to hasten contemporary immigrant integration are dramatic and perhaps beyond the scope of politicians at the national and local level to implement.

But what of the second generation immigrant integration experience? Here I am more optimistic. If the children of immigrants enter tertiary levels of education and socially intermingle then concrete integration may appear in the form of mixed marriages. Then, truly the third generation (the children of blended marriages) of immigrants will represent the new Swede pictured in the IMER brochures.36
ACKNOWLEDGEMENTS

I would like to thank Helena and Anders Nerval for providing a tranquil setting to write this paper. It was prepared for the Willy Brandt Public Lecture given in Malmö on May 7, 2004. Sergiy Pivnenko provided able research assistance on the Canadian section, and Inge Dahlstedt on the Swedish section.
1 The definition of a majority-minority city is one in which the sum of the minority populations exceeds 50 percent.
3 The real wage is the nominal wage divided by the cost of living.
4 Expected wages here are the product of the probability of employment times the nominal wage.
5 In 1947 MacKenzie King enunciated this principle which argued that only immigrants who could easily integrate into Canadian society should be admitted into Canada. Hence, a preference was given to Western European immigrants who were felt better able to integrate into the existing population.
6 The image of a racist immigration policy was no longer a sustainable position in the tumultuous 1960s either.
7 Only in the mid 1980s did the family and refugee groups form a majority of Canadian immigrant entrants and this was due to a decline in the total number of economic immigrants.
8 The GTA designation incorporates both the former city of Toronto and a later amalgamation of surrounding suburbs in the 1990s.
9 This fifty-fifty policy was not written in the legislation but was followed throughout the post-1967 period with the exception of the mid-1980s.
10 Card (2004) extends this principle to include labour market impacts of immigrants and we will pursue this aspect.
11 There are other negative economic impacts from immigration in the job and housing markets. However, these latter points pale in comparison with the treasury argument.
12 In short, it is the discounted lifetime tax payments minus the discounted lifetime monetized transfers to either population.
13 These entry gates in Figure 1 include skilled workers, other and business classes. Other includes a mixture of assisted relatives, live-in caregivers and retire, so this part of the other category is not all economic.
14 Montreal is the exception; separatist tendencies drove investment out of the city and the unique Francophone immigrants attracted to Montreal economically suffered.
15 In reality income and tax payments are concave over the life-cycle of an immigrant. The use of public services is convex over the immigrants life-cycle and thus through age 30 and beyond taxes paid usually exceed services used. But the researcher must look over the entire life cycle and not the first ten years to appreciate this fact of surplus creation.
16 Yan Shi (2004) notes less than one half of the Canadian-born population could enter Canada as an economic immigrant.

17 Statistics Canada reports that an immigrant (or any household) is in poverty if 60 percent or more of its disposable income is spent on food, clothes and shelter.

18 At the national level the “points system” was drastically revised upward raising the presumed human capital content of post-2002 immigrants (Yan Shi 2004). However, this has led to a collapse in economic immigrant applications and arrivals.

19 Both Toronto and Vancouver are represented by a significant number of members of Parliament in the majority Liberal party.

20 For many professionally trained immigrants further schooling is needed beyond credential recognition. Thus the barrier has become admission to Canada’s universities, especially in medicine.

21 The important exception is the Canadian Council of Refugees, which is national in scope.

22 An important exception to this limited government oversight is the contracting out of government programmes to these organizations. Various job retraining and language-training programmes are financed by the federal government. These specific programmes must follow government guidelines.

23 The primary example is SUCCESS – the Chinese immigrant services group that has expanded over the last 30 years to become the premier example of a uni-cultural services organization in Vancouver.

24 However, it is instructive to observe the changing structure of Canada’s large Chinese settlement agencies as their clients become Mandarin speakers with China (PRC) cultural background as opposed to the Hong Kong based earlier immigrant enclaves. In fact, former uni-ethnic NGO Chinese organizations are being forced to be more multi-ethnic with the arrival of PRC immigrants.

25 Until the 2001 Canadian census, no question was asked on birthplace of parents, hence the progress of the second-generation immigrant population can only be inferred from limited surveys.

26 The absence of the taxpaying portion of these households further reduces the possibility that the Simon Principle will be satisfied for this immigrant cohort.

27 An overachiever is an immigrant who does not suffer an earnings penalty upon arrival in Canada or whose “catch-up” period is less than the usual 12-15 years.
28 Ukrainian immigrants do even better economically in the United States than Canada.

29 Source: Author’s calculations from Swedish Census 2001. Visible minorities are arbitrarily classified by author as immigrants from Iraq, Iran, Lebanon, Somalia, Latin America and Middle East.

30 The employment rate is the percentage of employed workers in the labour force.

31 In 1992, for example, there were 34,000 admissions to Sweden with 31,000 in the refugee or family class. In other words only 10 per cent of the entrants were assessed for further education or labour market suitability before admission.

32 Of course, recent Swedish devaluation of the crown in effect lowers every Swedes’ real wage and in this crucial sense wages are downward flexible. The last devaluation caused a spurt in export and employment growth.

33 It is a frequently observed phenomenon of both immigrants and native-born youth that the absence of job upon an attempted entry into the follows them throughout their entire career with spells of unemployment and lower incomes.


35 The violence toward Swedish immigrants does not happen in a vacuum, it happens when the local population can economically rationalize their xenophobia (Wigerfelt and Wigerfelt 2001).

36 This is exactly what happened with Asians in Toronto where 17 percent of the most recent Chinese marriages were with Anglos.
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ABOUT THE AUTHOR

Don J. DeVoretz obtained his doctorate in Economics from the University of Wisconsin (Madison) in 1968. He is the Co-director of the Metropolis Centre in Vancouver (RIIM), and Professor of Economics at Simon Fraser University, Vancouver. He has held numerous visiting appointments and is a Senior Research Fellow with IZA (Germany). In 2000 he was named a British Columbia Scholar to China. His research findings have been reported in both professional journals as well as major print and electronic media.

Dr. DeVoretz was Guest Professor in memory of Willy Brandt at IMER in Spring term 2004.

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Editor
Maja Povrzanović Frykman
maja.frykman@imer.mah.se

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