Why Refugees Will Improve the Canadian Economy

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Canadian Prime Minister, Justin Trudeau shakes hands with a Syrian refugee during Canada Day Celebrations on Parliament Hill, Ottawa, Ontario

As of 2018, Canada has accepted over 50,000 Syrian refugees, that, along with other factors, makes Canada one of the most welcoming nations in the world, according to ReliefWeb. There’s a growing consensus among the population that more refugees should be accepted by the government. However, others have falsely claimed that there are economic consequences for accepting refugees.

Skeptics have pointed out that integrating them may pose a challenge for the economy. There are growing concerns that resettling them may be too expensive and that they are a drain on societies. This isn’t entirely true.

Since Trudeau’s decision to take in more refugees in 2015, Canada has achieved its economic goals, of which include: lows rates of unemployment, moderate economic growth and an equitable distribution of income. They may be seen as a burden, but the reality is that, given the right conditions and rights, refugees can boost economies.

Future Opportunities

Despite the influx of refugees, the unemployment rate has decreased dramatically from 7.2 to 5.4%, which is said to be the lowest in decades. This shows how refugees don’t affect unemployment levels as much as we think.

The employment levels have shown a steady increase since 2015, as a result of the economic policies Trudeau has adapted since then. As shown on the graph, the employment levels have increased from Q2 to Q3 as a result of the aggregate demand for labour shifting to the right from ADL2 to ADL3, this is because the unemployment shown is demand-deficient. The increase in ADL allows the quantity of the number of workers to reach equilibrium steadily, through the Keynesian multiplier effect. The increase in ADL has also caused an upward pressure, causing wages to decrease from W3 to W4.
The increase in ADL has been caused by the Liberal government adopting strategies that have aided the high unemployment rate that had taken place during the recession that was under the Conservative’s government. These strategies have included increasing government spending which has been recommended by the IMF and lowering interest rates which have stimulated demand and increased household spending, generating more interactions in the market that required more jobs.

The Liberal government’s initiative to increase aggregate demand has sustained low levels of unemployment while providing for refugees. This can be shown by the unemployment rate decreasing since Trudeau has assumed office while refugees have had time to integrate under programs that facilitate their needs (language learning, resettlement, etc.) These programs also allow the refugees to gain skills that will make them more beneficial and will enable them to be more productive. The programs that are either state-sponsored or privately-sponsored generate economic activity through the jobs that are required to carry them out, which utilizes government spending and boosts circular flows of income. The injections increase consumption as incomes increase, further generating more jobs and growth.

Eventually, refugees can get their work permits so that they can give back to society, through entrepreneurship. This allows for businesses to grow and increase opportunities, enabling employment to increase in the future. Not only does integrating refugees allow for future economic growth, it allows the government to replace the growing aging population with a young, ambitious population that will create more jobs. Although finding work may prove to be difficult for refugees, in the long run, they prove to run successful businesses, which will allow them to create jobs, and increase tax revenue.

Although they may cause a rapid increase in economic growth, they may become a burden when they aren’t integrated into the right programmes. As seen with the refugees tin Quebec, handing out checks for a long time isn’t productive and will discourage refugees from finding jobs as it lowers the incentive to work. Rather than viewing them as trouble, they should be seen as assets that are capable of creating jobs and increasing activity. Refugees should be placed in programs that allow them to sharpen their skills for about a year and use their eagerness to work for bringing more jobs into the economy.

**Higher Prices**

Although the Canadian economy will improve under most circumstances in regard to the influx of refugees, there will be consequences that are the result of the lower levels of unemployment and other factors. But that doesn’t necessarily mean that the economy is suffering. The increase in inflation rates from 1.0% to 2.2% may not necessarily be a bad thing.

As shown on the graph on the right, when inflation increases when unemployment levels fall from 1 to 2, as a result of aggregate demand increasing. The unemployment rate that’s plotted against the inflation rate on the Phillips curve (PC), shows how there’s a trade off between unemployment and inflation, and how increasing one measurement would lead to decreasing the other. The shift from 1 to 2 is the result of demand-pull inflation, as increases in aggregate demand require higher quantities of supply, which leads to higher prices from P1 to P2, and higher outputs from Y1 to Y2, which allows the employment to reach equilibrium steadily through the Keynesian multiplier effect. This can be displayed on the graph below:

The Liberal government’s initiatives that have caused the increase in aggregate demand have caused the inflation rate to go up, as the Consumer Price Index (CPI) had increased rapidly from 127 to 133.3 since Trudeau assumed office. Not only is this due to the demand-based policies the Liberal government has adopted to integrate refugees and immigrants into the country, but also because of the policies that are being adopted in each province. Recently, Ontario has increased their minimum wage from $11.60 to $14, which may have caused prices to increase as the costs of production increase, which isn’t necessarily a bad thing. Raising minimum wages increases the disposable income of employees, which will lead to a rise in consumption, which will further increase aggregate demand and benefit the economy.

However, there are precautions that should be taken into consideration when measuring the effects of inflation. The government should take in more refugees as a part of its initiative to boost aggregate demand, as its capable of doing so according to a chair on the World Refugee Council. In doing so, it may need to be less ambitious with its other demand-driven policies, since it may cause the economy to overheat and lead to more inflation. Currently, the interest rate is 1.25%, which is less than the inflation rate, which is currently 2.2%. The exceeding inflation rate has lead to consumers borrowing more, even though the value of savings are decreasing over time. To combat this, the government can increase the interest rate so that people can save less, so they can slow down the pace of demand, and it will prevent the economy from overheating. Once this is done, the government can focus on providing better programs for refugees all throughout Canada, so that the
Progressive Benefits

Although the Canadian economic growth rate will be slower this year at 2.2%, it's still decent growth, especially when compared to the 1% it was at in 2015. This is partly due to the arrival of immigrants and refugees, who have shown that they can stimulate growth through the services the government has to provide.

As seen on the PPC curve, the Canadian economic growth has shifted from point A to B, after experiencing an increase in the actual output as a result of the increase in aggregate demand the government has caused as a result of their demand-based economic policies.

These economic policies are set to increase productivity, which stimulates economic growth. The Liberal government has taken actions to improve the factors of production, though spending about $2.8B towards First Nations education. Spending more money on their education will increase their quality of life and increase GDP in the long run.

The government has also increased spending on refugees' housing and other consumer goods, which is also what attributes to the economic growth that has more than doubled since 2015. Successfully integrating refugees allows for the increase in economic growth in the long run. Increasing expenditures on refugee assistance increases GDP, which will cause higher growth rates in the years to come.

More Equitable Society

In 2015, the GINI index of Canada was 0.35, since then, not much has changed. Although the Conservative's government had more supply-based economic policies, Canada still delivered free healthcare that lead to lower inequality levels. The lower GINI index rates contribute to the programs that are provided for immigrants and refugees, that come from tax money.

As shown on the graph, the area of inequality is significantly smaller than the actual income distribution. The line is close to the perfect equality line, which indicates that Canada has lower rates of inequality than other countries'.

Currently, the Liberal government has provided many programs for refugees, of which include language-learning, food, housing, and other basic necessities. Not only do they provide for the refugees' necessities, they also provide free education and healthcare. Currently Canada provides a discount for domestic students applying to universities within the country, which ranges from 80%-90%. This, along with the strengthening of reproductive health services has made Canada a more equitable society, as it provides the same services to everyone within the country, which decreases poverty and increases standards of living. As a result of the policies the government has taken to improve standards of living for not only residents of the states, but also those who are fleeing conflict, Canada has experienced high levels of economic growth within the last couple of years, along with more development. This is because those who have lower incomes and are taxed less, like refugees or people who are living under the poverty line, are enabled to increase consumption when receiving benefits from the government. Those who receive those benefits can be able to find a job early on, and can have a head start, which will lead to them finding jobs and increasing productivity within the economy.

There may be concerns that the unemployment benefits and refugee programs, may lead to less unemployment as the incentive to work may decrease as a result of the checks families receive from the government without having to work. This is true to a certain extent, as refugees along with other people who are in need may need a limit when it comes to the programs they are placed in, and so it may be more beneficial for there to be a certain limit for those who are seeking jobs, which can be up to one year, to increase incentives for refugees to find jobs. This doesn't guarantee that they will find jobs, however with time, refugees can gain the same success as other Canadians.

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