

Immigrant Impact on Local Labour Markets: Evidence from the Canadian International Student Expansion (by David Green, Mikal Skuterud, and Stephen Tino)

In the decade between 2009 and 2019, the number of international college students filing taxes in Canada increased from 5,400 to 170,000, representing approximately 0.5% of total employment in Canada by 2019. The increase reflected both an increase in the number of international college students (which increased by over 320 % in the same time period) and a shift in regulations that allowed them to work off campus much more freely. The labour supply increase represented approximately 0.5% of total employment in Canada by 2019 but it varied considerably at the city level and represented a substantial shock to local labour markets with a college that intensively enrolled foreign students. In this paper, we examine the impact of this labour supply shock on both other workers and firms.

The impact of the substantial increase in the number of international college students working off campus on other workers and on firms is of interest in its own right. This is part of an expansion in Canadian immigration about which there has been considerable debate. But this particular part of the expansion is also useful as a mechanism for understanding the impact of immigrants on local economies more generally. The expansion was completely controlled by the colleges themselves in order to increase their income from foreign student tuition, with little or no control by the government over the number of students entering or whether they actually attended classes. We show that the result was an allocation of the new students across towns and cities in a way that varied by time and location but was unrelated to prior economic trends. Taking advantage of this variation, we show that the foreign student workers were disproportionately employed at large, lower productivity firms in the retail and accommodation sectors.

We find that an increase in the supply of foreign students led to expansions of firms that employed students in the past or who moved into employing them, with small negative effects on employment of non-students at those firms. In contrast, firms that did not hire students experienced declines in employment such that the net impact on employment at the city level was near zero. We also find near zero effects on average earnings per worker. These results do not fit with narratives from the business community that increased hiring opportunities would benefit other workers through production complementarities. In ongoing work, we are examining whether the implied shift in firm composition was toward or away from more productive firms and what happened to the workers who were formerly employed at the firms that downsized as a result of the increase in the supply of student workers.