

The Importance of Immigrants as Innovators and Entrepreneurs in Canada

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Innovation Matters - a Driver of Productivity.

- There are three fundamental drivers of ‘firm-level’ productivity and performance:
 - Human capital (labour)
 - Physical capital (machinery and equipment)
 - **Innovation**

Innovation Defined.

Extracting value from knowledge/skills to turn ideas into new/improved products, services and processes.

Key Features of Innovation.

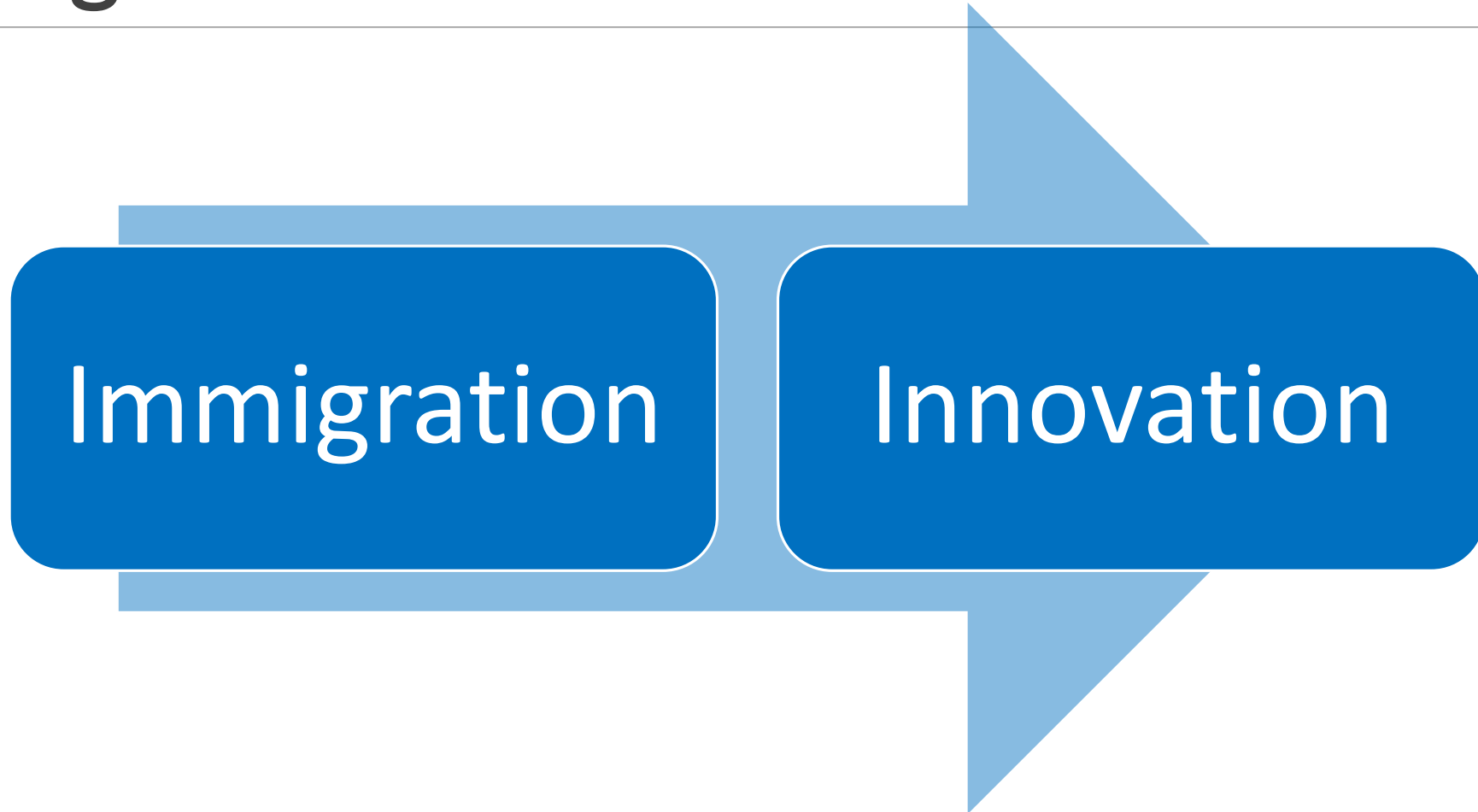
- Value can be economic or social
- It can be radical -- but is often incremental/iterative
- Note: discovery/invention are not innovation – but they are often ingredients in the innovation process, especially in radical innovation.

Innovation: How is Canada Performing?

- Canada ranked only 12th on innovation among 16 peer countries in 2018.
- Weak on patents, business R&D, and researchers in R&D per million pop.: only a “D” rating.
- Innovation activity at the firm level is low – especially among SMEs (small and medium enterprises).
- Entrepreneurial ambition is global highest – “A” rating.

Source: The Conference Board of Canada, 2019

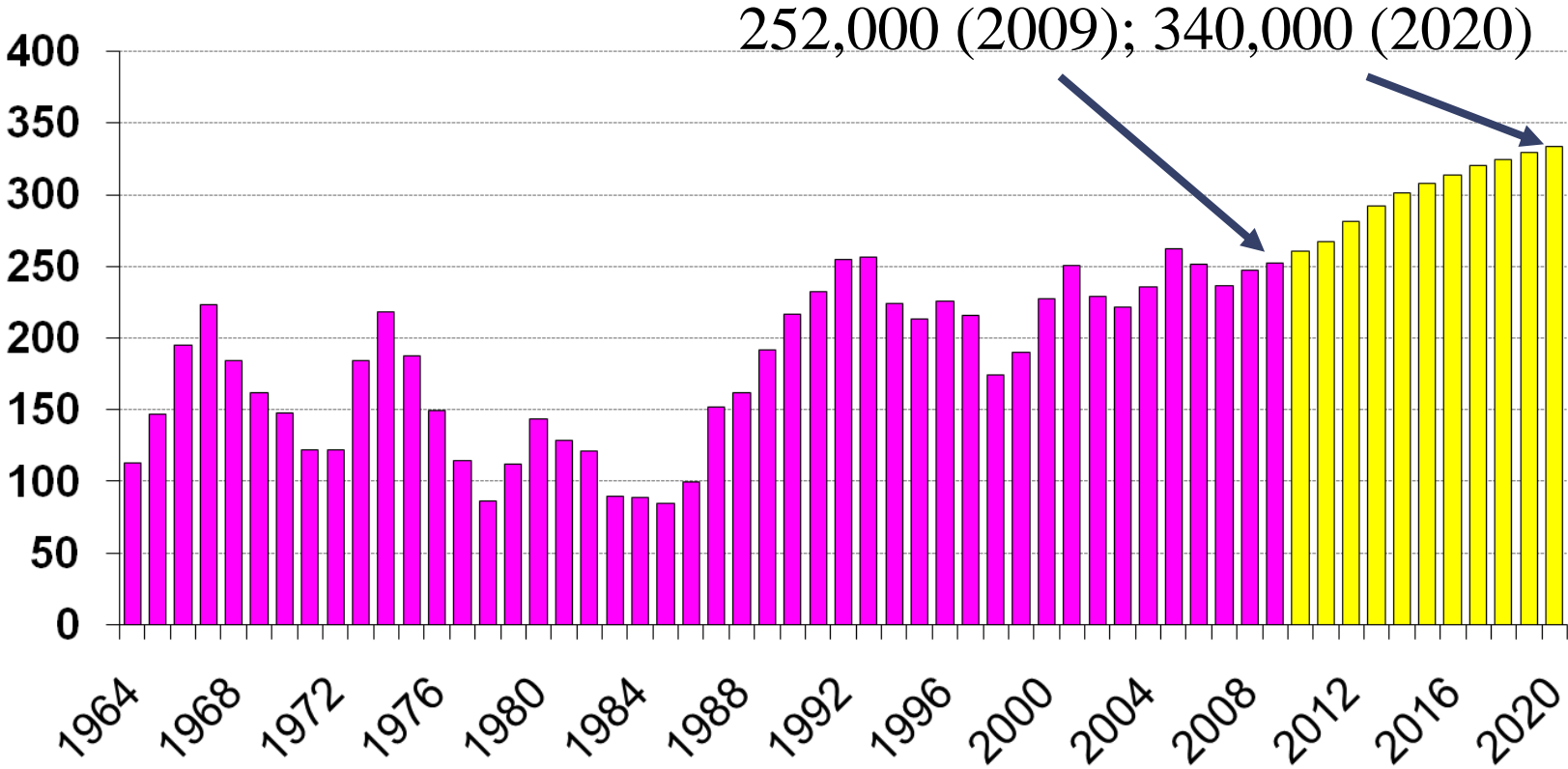
Immigration and Innovation



Immigration to the Rescue – But Future Challenges Loom.

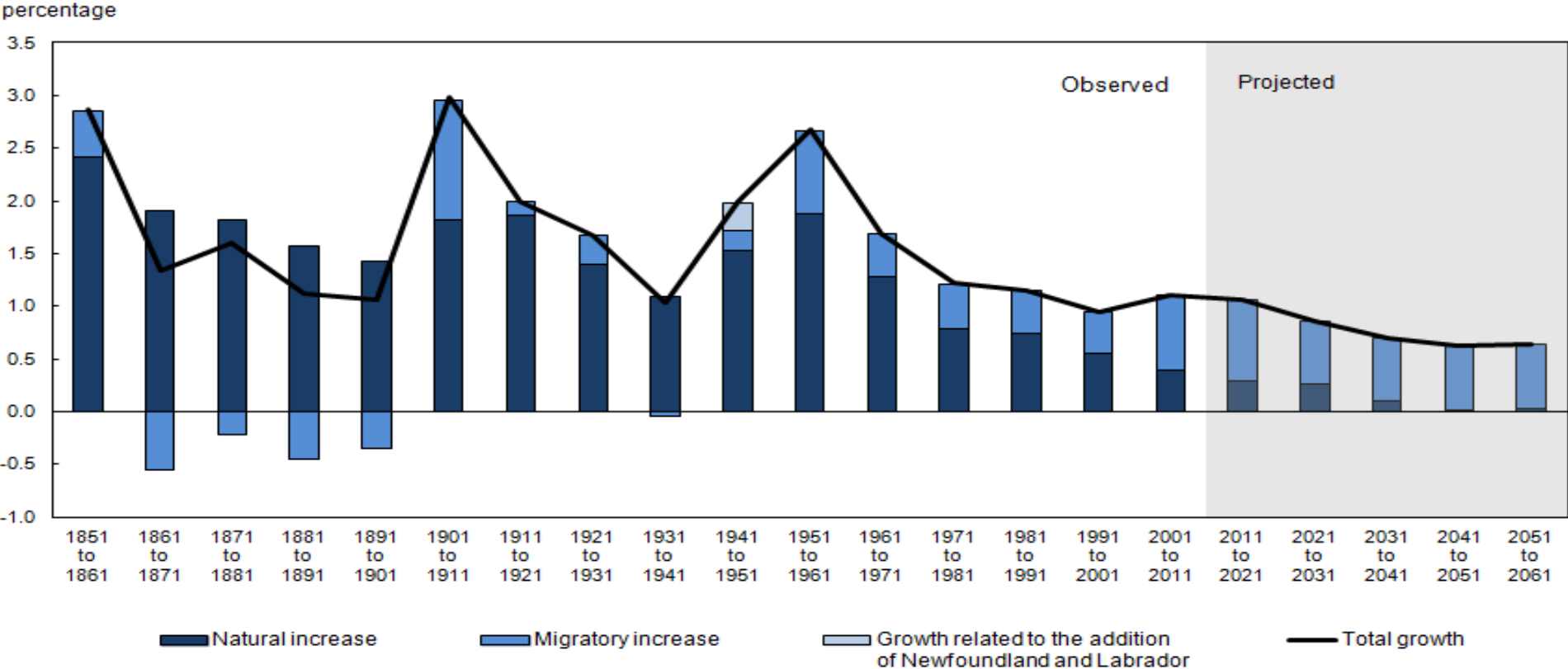
- Arrivals of immigrants to Canada: 320K in 2018, 340K in 2020, rising to 350K + after 2020 - about 1 per cent of population.
- **Basis for much of our economic growth compensating for aging population and skills shortages.**

Immigration to Canada 1964–2020 (000s) - Trend Line is Up.



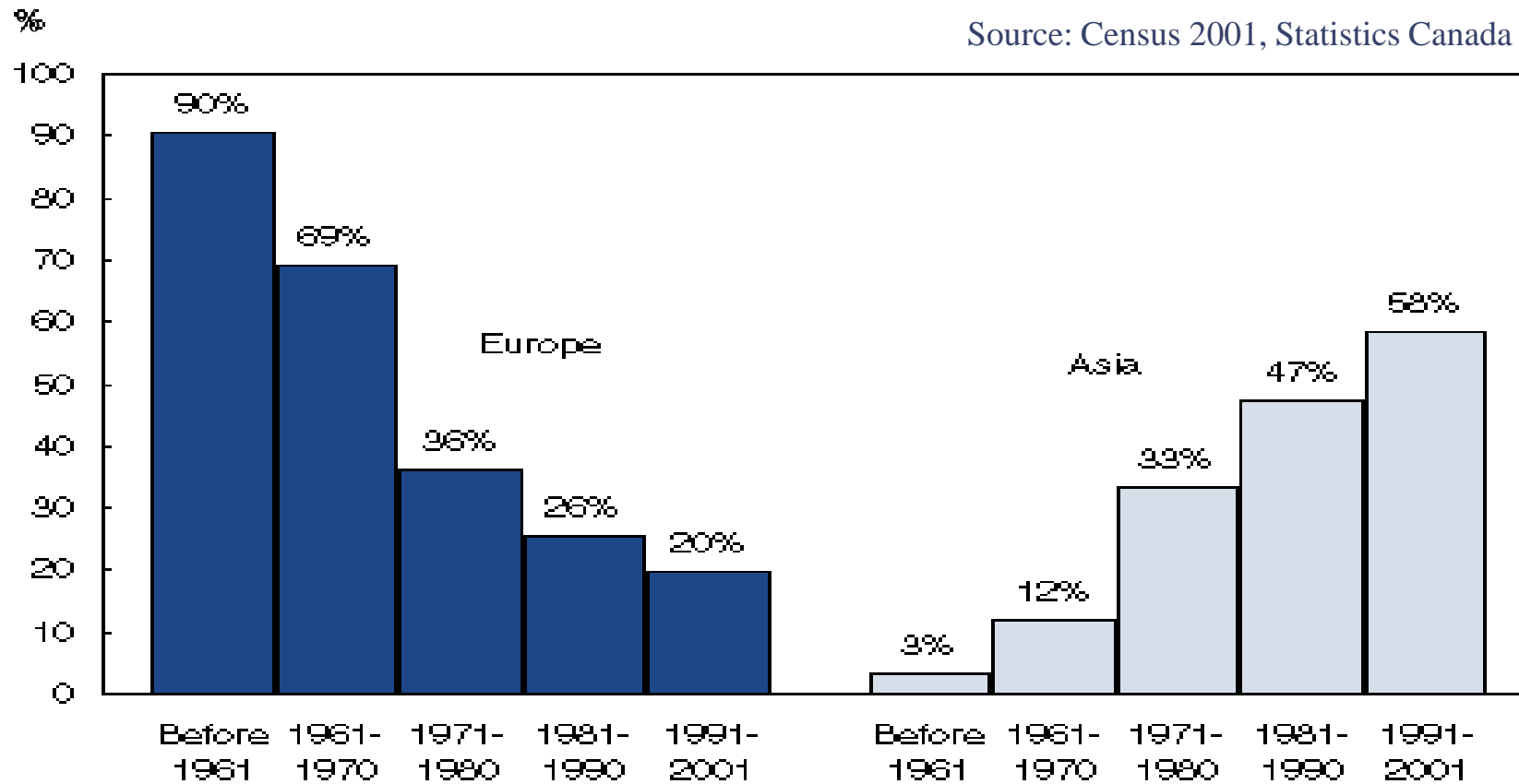
Immigration Driving Future Population Growth.

Chart 1
Annual average growth rate, natural increase and migratory increase per intercensal period, Canada, 1851 to 2061



Note: Data from 1851 to 2011 is observed and data from 2011 to 2061 is projected.
Source: Statistics Canada. 2012. "Population growth in Canada: From 1851 to 2061," *Census in Brief*, Census of Population 2011, Catalogue no. 98-310-x.

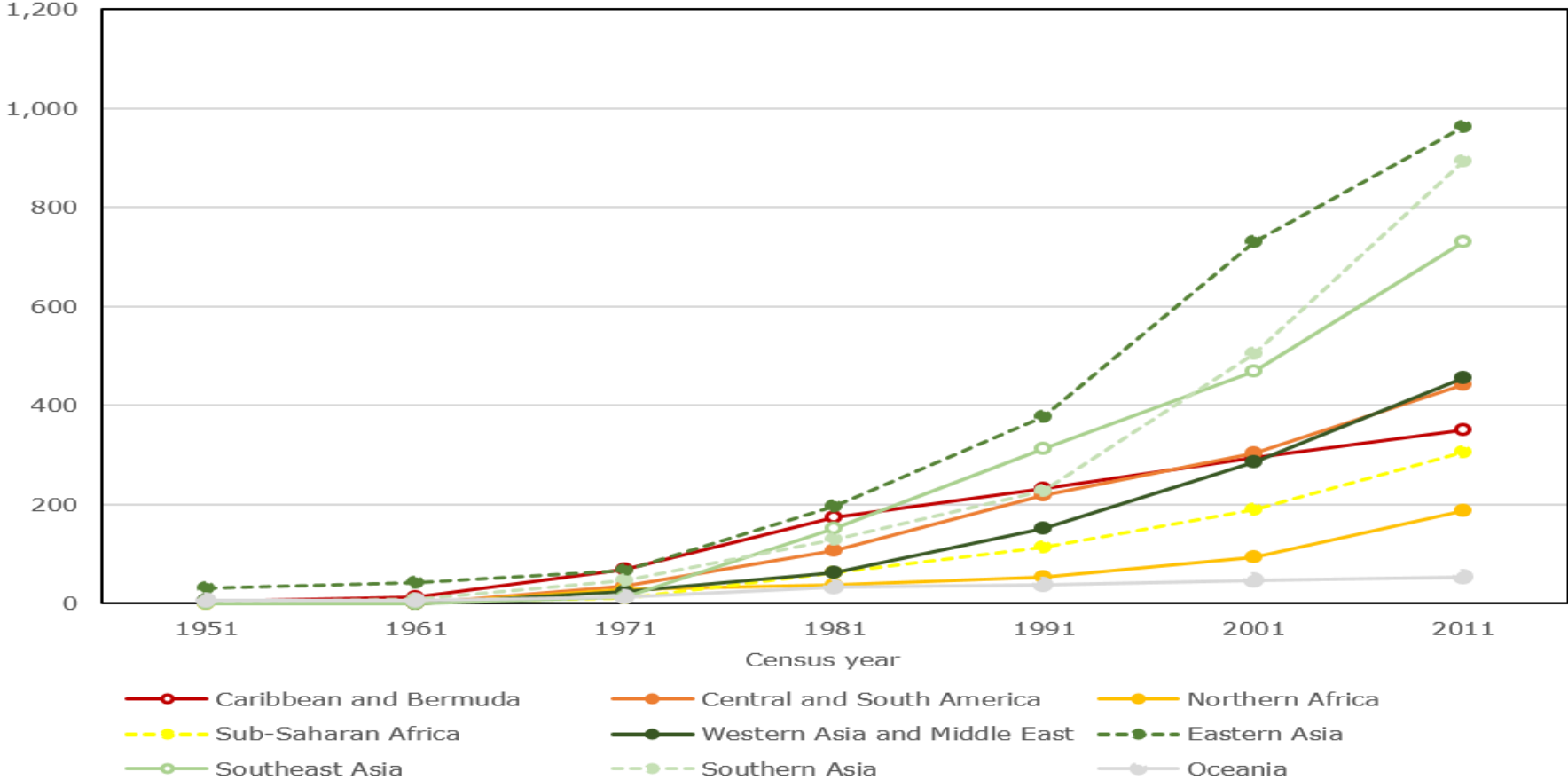
Immigrants Born in Europe & Asia – Major Continental Shift.



Trend for Asian Immigration Grows Since 2001.

Chart 4
Foreign-born population in Canada, by selected regions of birth, 1951 to 2011

Population (in thousands)

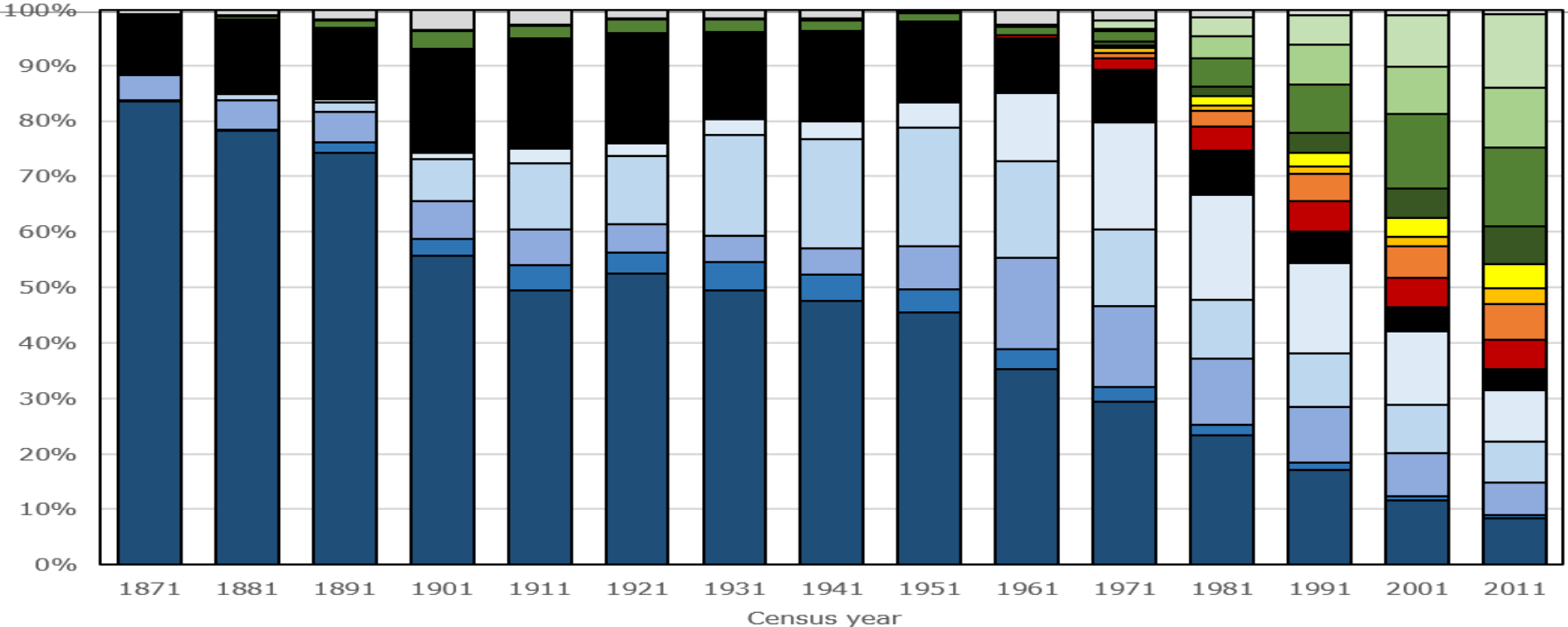


Sources: Statistics Canada, censuses of population, 1951 to 2001. National Household Survey, 2011.

Diverse Regional Immigration Continues to Expand.

Chart 5
Distribution in percentage of the foreign-born population, by place of birth, Canada, 1871 to 2011

percent



- British Isles
- Eastern Europe
- Caribbean and Bermuda
- Sub-Saharan Africa
- Southeast Asia
- Scandinavia
- Southern Europe
- Central and South America
- Western Asia and Middle East
- Southern Asia
- Western Europe
- United States
- Northern Africa
- Eastern Asia
- Oceania and other

Sources: Statistics Canada, censuses of population, 1871 to 2001. National Household Survey, 2011.

Immigrants Outperform as
Innovators.

Immigrants are Vital to Canadian Innovation.

- Immigrants (international talent) boost innovation and economic performance:
 - Stimulate *innovation* activity and outcomes.
 - Bring a strong entrepreneurial *desire to succeed*.
 - Provide *connections to foreign markets*.

Immigrants' Importance.

“Newcomers to Canada bring skills, including language and cultural skills, knowledge and networks that can help us reach out to emerging economic giants like China and India, as well as emerging immigrant markets at home...”

Gord Nixon, President and CEO, RBC

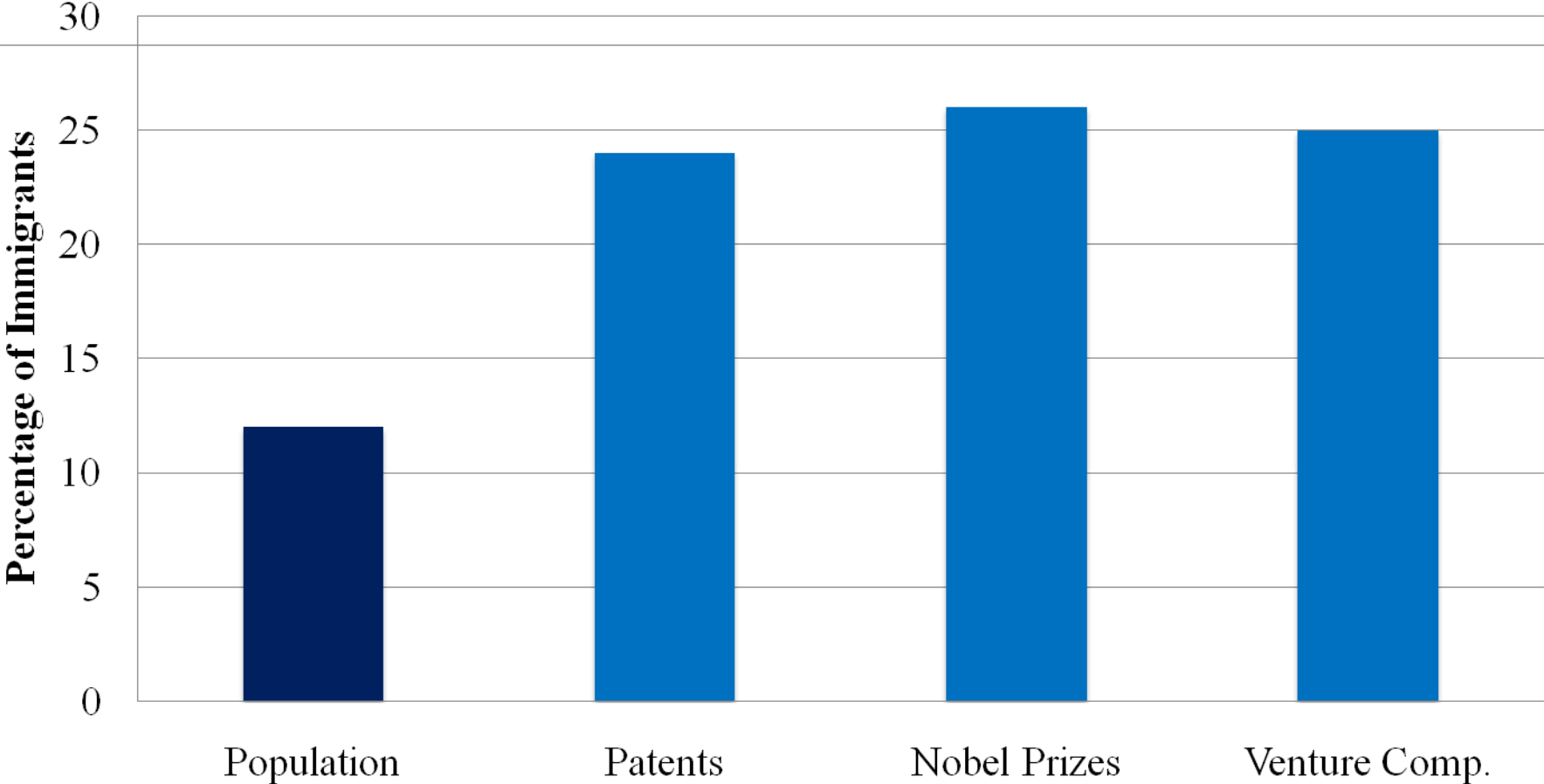
Immigration Fuels STEM Skills Supply – A Key to Innovation.

- STEM (science, technology, engineering and maths) experts are major entrepreneurs/innovators and are among the core members of many innovating start-up firms.
- In some STEM fields over 40 per cent of advanced degree holders are immigrants – leading to a prominent role for immigrants in Canada's innovation eco-system.

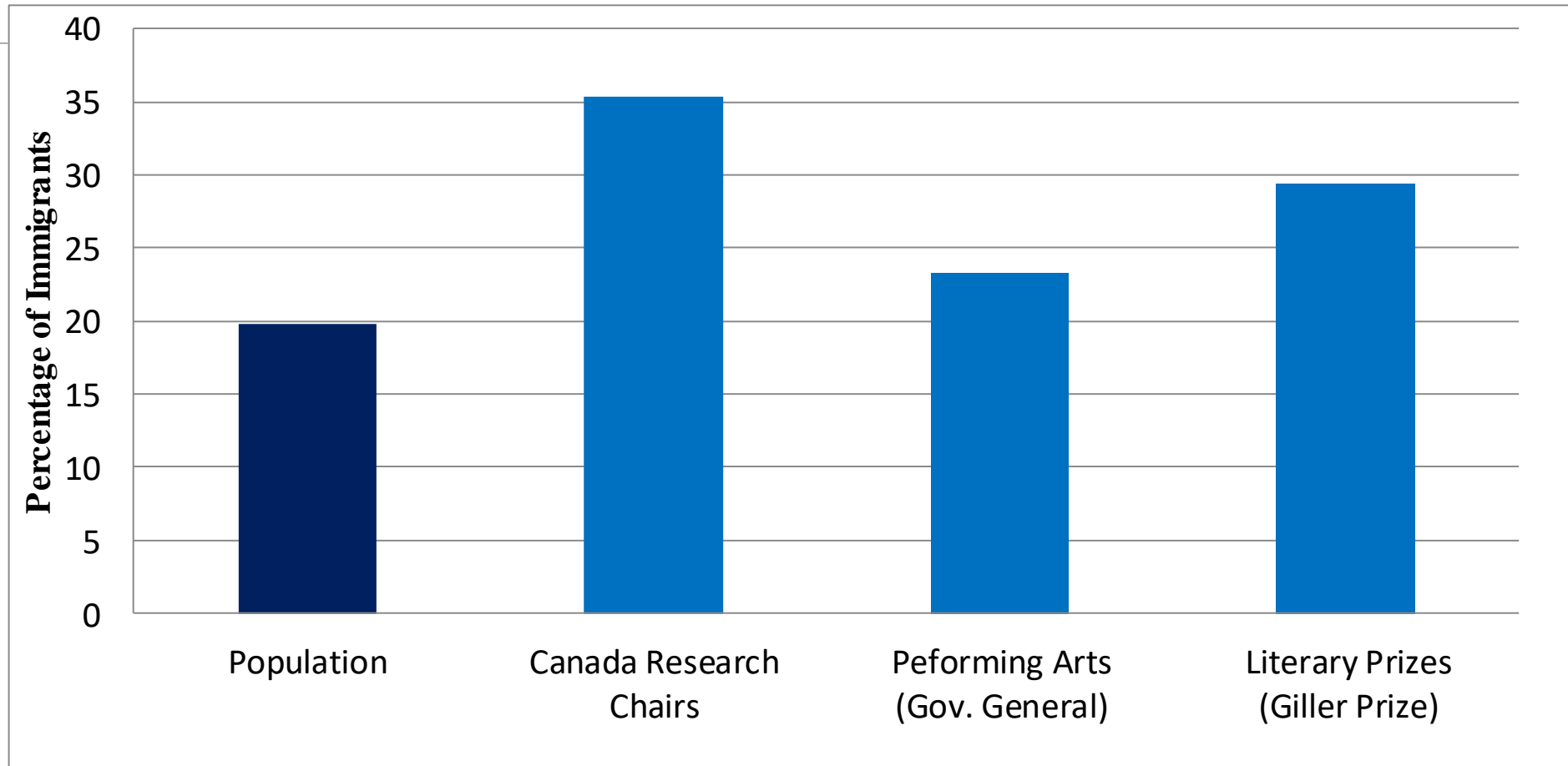
Immigrants are Motivated to be Entrepreneurs.

- High on *achievement* motivation—tend to innovate to achieve impact.
- High on *power* motivation—seek power and influence, take risk to achieve results.
- A source of “*minority dissent*”—valuable because it reduces consensus-oriented ‘groupthink’ and enriches decisions to invest in innovation.

Individual Achievements: S&T (U.S.).



Individual Achievements: Canada.



Immigrants Make Canadian
Businesses More Innovative.

Immigrants are Good for Business; Stimulate Innovation – through their ‘Know-how’ and ‘Know-Who’.

- Immigrants improve innovation performance in economy by:
 - Stimulating *innovation and creativity*.
 - Adding *skilled workers* to labour force.
 - Providing *connections to foreign markets and knowledge of how to operate successfully there*.

Case Study: Xerox Canada

- Toronto-based, U.S. owned sub with 3,800 workers, revenues of \$1.2 billion.
- Workforce diversity is a core value and ‘sustained pursuit’ as diversity is seen as essential to business success.
- Xerox Research Centre – 50 per cent of staff are immigrants from 35 countries.

Case Study: Xerox Canada

- Immigrants provide insights into markets and peoples' needs globally.
- Knowledge of local conditions helps refine products to operate in special circumstances (e.g. regular power failures in some markets).
- Xerox view: immigrants can add 'cost-effective, worldly design and marketing process'.

Immigrants are Helping Canada
Become More Innovative.

Positive Impact of Immigrants on FDI and Exports.

- Number of immigrants in Canada from source countries is positively correlated to:
- Foreign Direct Investment (FDI) in Canada.
- Increasing trade levels.
- Value of exports to source countries (partly due to immigrants 'know who' enabling more trade deals and export activity to their countries of origin).

Untapped Capacity: Immigrants as Innovators

Immigration Could Have Even More Impact on Innovation.

- Canadian organizations continue to *underutilize* the skills and talents of immigrants.
- About 60 per cent of immigrants do *not* work in occupational field they worked in before entering Canada.

Credential Portability Limits Innovation.

- Innovation gains come when individuals can move and work using their credentials and experience to fullest.
- Immigrants' expertise, skills and learning credentials are:
 - not always recognized by PSE and regulators
 - not always portable among provinces.
- This places a barrier on contributing to Canadian innovation.

PSE Needs to Prioritize Learning Recognition.

- Learning recognition for immigrants is a low priority for PSE institutions.
- Limited scale reduces usefulness to immigrant recognition seekers.
- This constrains immigrants' access to high-skill jobs that are crucial to innovation.
- Result: underemployment and unemployment of immigrants and lower innovation outcomes for Canada.

Brain Gain Costs to Immigrants are High: So are Rewards of Improving Learning Recognition System.

- **\$ 13.4 – 17.0 billion** in annual income would be gained by Canadians if Canada's learning recognition gap was eliminated for **844,000** Canadians.
- **525,0000 + immigrants** stand to benefit (62 per cent of total for Canada =) by **\$8.3 – 10.5 billion** annual income.
- **\$ 16 – 20,000** average annual personal gain.
- Calculating *multiplier effect* would increase the figures - due to spin-offs of spending increases from more income.

Source: Michael Grant, *Brain Gain 2015*, (The Conference Board of Canada, 2016)

How can Employers Maximize their Diversity Advantage?

- Value diversity in their employees.
- Hire immigrants at every level of the organization.
- Match the organization to the clientele - in Canadian and international markets.

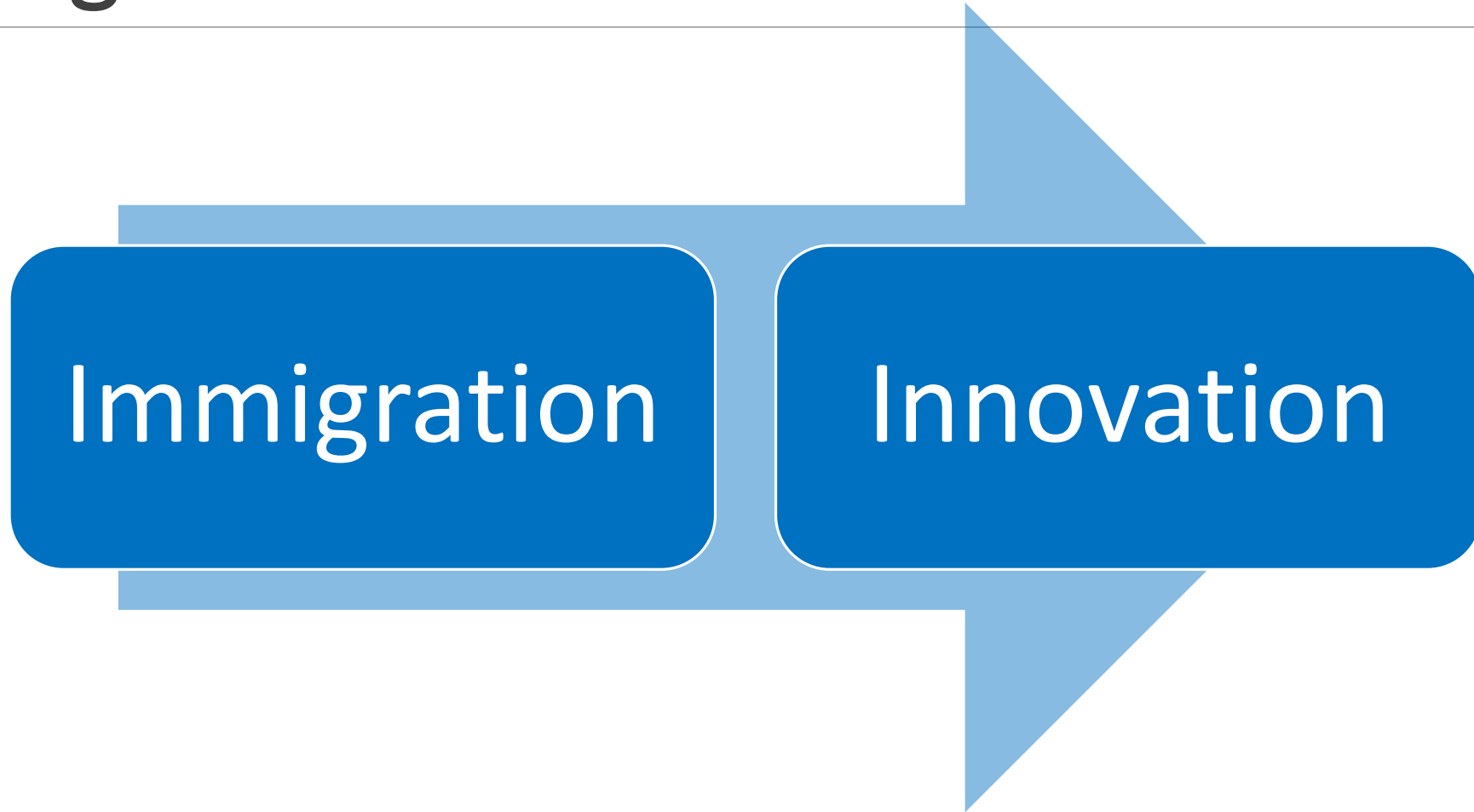
Future Innovation Partners: PSE Education and Corporate R&D Groups.

- PSE conduct joint R&D with firms and engage with industry in developing skills capacity for effective action at all stages of the innovation process.
- Expand joint PSE-Business graduate innovation programs.
- Above all: make innovation a priority.

Conclusion: Making the Most of Immigration; Enhancing Immigrants' Future Success.

- Canada needs more immigrants but faces a challenge: increasing international competition for top talent.
- For maximum economic impact, governments should select immigrants on basis of job skills, education and ability to invest and innovate.
- Businesses should have immigration hiring and advancement strategies – it's the smart way to solve skills shortages and build innovation capacity.

Immigration and Innovation



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