Labour-Market Challenges
In the United States and Canada

Diana Furchtgott-Roth and Christopher Sands
Senior Fellows, Hudson Institute

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I. Introduction and Background

The dynamic workforces of the United States and Canada have always faced changes. Americans once worked primarily in agriculture, then in manufacturing, and now in services. Transition from declining to growing industries has been relatively easily achieved because of the flexibility of the economy and labour markets. As a result, both the United States and Canada have unemployment rates lower than the EU-15, and many of its member nations.[1] The United States and Canada are also both home to millions of entrepreneurs.

As these two nations move further into the 21st century, challenges will come from many fronts. Two specific issues are the ageing of U.S. and Canadian workforces and increased global competitiveness. These phenomena will be important over the next few decades and policymakers need to consider the best strategies for promoting the flexibility of labour markets to deal with them.

The United States and Canada also each face unique challenges in the coming years, which require differing approaches to their economic future. In the United States, the re-training of manufacturing workers to new service jobs, the complex immigration system restricting growth in foreign high-skilled labour, and the growing problem of health insurance provision create major challenges to the economy. The Canadian economy faces difficulties in adapting to the effects of rising commodity prices, its slow productivity growth, and a lack of inter-province labour mobility.

The flexibility of labour markets is a vital component of these nations' responses to changes in the economy and future challenges. It is relatively easy to dispose of capital that is displaced by competition, rendered obsolete by technological development, or otherwise displaced within the economy. Capital deteriorates rapidly and can be sold, and land can be developed for other purposes. In contrast, labour poses a far more complex problem, and the largest cost of labour

[1] U.S. Department of Labour, "A Chartbook of International Labour Comparisons." January 2008, p 15 http://www.dol.gov/asp/media/reports/chartbook/2008-01/chartbook.pdf.

market adjustments is displaced workers. Human capital is far more difficult to transform than physical capital. Education in one field can often take years of investment, and is not necessarily applicable to other (growing) sectors of the economy. In many ways, the challenges faced by the United States and Canada revolve around the ability to redeploy workers quickly and efficiently.

As neighboring countries that are also each others' largest trading partners, cooperation and discussion of these challenges are invaluable to both the United States and Canada. Each has its own experiences dealing with myriad challenges to the economy, and has much to offer the other.

The subject of this paper is how the United States and Canada deal with the adjustment challenges of the 21st century. What are the effects on employment, and how can each country learn from the other in dealing with the small dislocations that may occur? Section II discusses U.S. and Canadian labour markets, and the challenge posed by their aging workforces, a challenge faced by both nations. Section III deals with the United States, and Section IV covers Canada. Section V concludes.

II. Labour Flexibility and the Challenges of an Aging Workforce

As the large "Baby Boom" generation ages, the demographic structure of the economy will shift and the proportion of citizens over age 55 will increase significantly. In addition to the aging of the "Baby Boom" generation, increases in longevity will raise the proportion of older citizens.

Today the estimated U.S. population aged 55 or over is 69 million, equaling 22.9% of the total population, according to the Census Bureau. This group is expected to grow to 116 million by 2035, and comprise 31 % of the population. Total population will increase from 301 million in 2007 to 378 million in 2035.[2] Canada faces a similar increase, with the population of the elderly tripling over the next 30 years to make up 37% of the Canadian population of 40 million.[3]

Americans age 65 or older comprise nearly 37 million people, or 12.2% of today's population. Over the next 30 years this group will grow fastest. Their numbers will more than double to 77 million by 2035. During the same period, Americans

[2] U.S. Census Bureau, "U.S. Interim Projections by Age, Sex, Race, and Hispanic Origin." Retrieved from http://www.census.gov/ipc/www/usinterimproj/; U.S. Census Bureau.
[3] Statistics Canada, "Population for Canada, Provinces and Territories." December 2005. Retrieved from http://www.statcan.ca/bsolc/english/bsolc?catno=91-520-X&CHROPG=1; "Quarterly Demographic Estimates." December 2007. Retrieved from http://www.statcan.ca/bsolc/english/bsolc?catno=91-002-X.

in the prime working age group, 25 to 54, will increase by only 14 million.[4] Similarly, Canadian seniors, making up 4.4 million people today, or about 13% of the population, will double over the next 30 years to make up nearly 25% of the population. Over the same period, the working-age population will increase by less than 5%.[5]

The consumption demand of an ageing and increasing population will lead to tight labour markets unless the workers have high productivity growth, increased labour force participation, and additional immigration. In the dynamic and flexible economy of the United States, we already see two of these forces—higher productivity growth and increased labour force participation of older Americans—already at work to help offset the demographic changes that are underway. Canada has a stronger-than-average senior labour force participation rate, but has faced flat productivity growth in comparison to the accelerating growth in the United States.

Fortunately for the United States and Canada, the labour force participation rate of older workers is increasing. The nations also see more older workers working full-time weekly schedules. Increased labour force participation of older workers is a positive sign that America's and Canada's open and flexible labour markets are providing opportunities for older workers who choose to remain economically active. 16.2% of Americans 65 and older remain economically active, a figure in major industrialized countries only exceeded by Japan. In Canada the percentage is 7%.[6]

Improved health and greater longevity are changing traditional attitudes about retirement. Many workers in the United States and Canada see continued work in their 60s and 70s, either part-time or full-time, as a source of vitality as well as a source of income.

Older workers consistently experience lower unemployment rates than do younger age groups. In 2008 the unemployment rate for Americans age 55 or older was 3.5%, compared to the overall average unemployment rate of 4.8%.[7]

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[4] U.S. Census Bureau, "U.S. Interim Projections by Age, Sex, Race, and Hispanic Origin." Retrieved from http://www.census.gov/ipc/www/usinterimproj/; U.S. Census Bureau.

[5] Statistics Canada, "Population for Canada, Provinces and Territories." December 2005. Retrieved from http://www.statcan.ca/bsolc/english/bsolc?catno=91-520-X&CHROPG=1; "Quarterly Demographic Estimates." December 2007. Retrieved from http://www.statcan.ca/bsolc/english/bsolc?catno=91-002-X.

[6] U.S. Department of Labour, "A Chartbook of International Labour Comparisons." January 2008, p 10 http://www.dol.gov/asp/media/reports/chartbook/2008-01/chartbook.pdf.

[7] U.S. Department of Labour Bureau of Labour Statistics, *Employment Situation*. Retrieved through Haver Analytics. Valid as of March 2008.

Canadian senior workers face unemployment rates of 4.8%, compared to the nation's rate of 6%.[8]

In the United States in particular, older workers are more likely to be self-employed: 17.5% of workers age 65 or older were self-employed in 2007, compared to 11% of age 55 to 64 workers and 8.6% of age 45 to 54 workers.[9]

One noteworthy trend has been toward a higher proportion of older workers working full-time. This may be a result of the removal of the Social Security earnings test for workers age 65 or older in 2000. In 2007, on average, 83% of workers age 55 or over worked full-time. In 2007, 17% of workers ages 55 and above usually worked part-time weekly schedules (down from 28% in 1994).[10] The labour force participation rate of older Americans has increased steadily over time, reaching a high of 39.2% in February 2008.[11] Similarly, older Canadians (those 45 and over) work full-time at higher rates than they used to. In 2003, 84% of working older Canadians worked full-time; in 2007, this had increased to 84.5%.[12] The labour force participation rate increased from 52% to 54% over the same period.[13]

Some may say that older workers have to work more because they are less well off. But data show the opposite: the economic condition of older Americans and Canadians is above average and steadily improving.

According to the 2000 Census, Americans age 65 or older were more likely than younger groups to own their own home (78%),[14] to earn interest from financial assets (70.5%) or to own stocks (29%).[15] The more recent Canadian Census showed that 72% of elderly Canadians owned their own homes.[16]

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[8] Statistics Canada, "Labour force characteristics by age and sex." Summary Tables. 2007. Retrieved from http://www40.statcan.ca/l01/cst01/labour20a.htm.

[9] U.S. Department of Labour Bureau of Labour Statistics, "Employed persons in agriculture and related and in nonagricultural industries by age, sex, and class of worker." Household Data Annual Averages. Retrieved from ftp://ftp.bls.gov/pub/special.requests/lf/aat15.txt.

[10] U.S. Department of Labour Bureau of Labour Statistics, "Employed and unemployed full- and part-time workers by age, sex, race, and Hispanic or Latino ethnicity." Household Data Annual Averages. Retrieved from ftp://ftp.bls.gov/pub/special.requests/lf/aat8.txt.

[11] U.S. Department of Labour Bureau of Labour Statistics, *Employment Situation*. Retrieved through Haver Analytics. Valid as of March 2008.

[12] Statistics Canada, "Full-time and part-time employment by sex and age group." Summary Tables. Retrieved from http://www40.statcan.ca/l01/cst01/labour12.htm.

[13] Statistics Canada, "Labour force and participation rates by sex and age group." Summary Tables. Retrieved from http://www40.statcan.ca/l01/cst01/labour05.htm.

[14] Gist, Yvonne and Lisa Hetzel, "We The People: Aging in the United States." *Census 2000 Special Reports*. U.S. Census Bureau (December 2004) p 9. http://www.census.gov/prod/2004pubs/censr-19.pdf

[15] U.S. Census Bureau, Housing and Household Economic Statistics Division. Retrieved from http://www.census.gov/hhes/www/wealth/1998_2000/wlth00-2.html.

[16] Statistics Canada, "Age Groups of Primary Household Maintainer, Number of Household Maintainers and Housing Tenure for Private Households of Canada, Provinces, Territories, Census Metropolitan Areas

In 2006, the proportion of Americans age 65 or older with incomes below the poverty level was smaller than the overall population proportion of persons below the poverty level---9.4% of the age 65+ group compared to 12.3% of the overall population. In 1970, 25% of Americans age 65 or older were below the poverty line, and, as recently as 1993, the proportion was 12%.[17] The proportion of elderly Canadians with low income in 2005 demonstrated a long decline over the past twenty years; 6.1% of elderly Canadians spend more than 20% more of their income than average on necessities, versus the national average of 10.8%.[18]

The flexibility of the U.S. and Canadian labour market enables older workers to choose the pattern of labour force participation that fits their preferences and needs. The removal of Social Security earnings tests for workers age 65 or older in the United States ensures incentives to remain in labour force if desired. Income tax reductions since 2001 have increased the incentive to remain economically active.

The question of an aging workforce, however, brings with it concerns that apply to both countries. An older workforce is not prone to significant increases in productivity, and faces higher-than-average health care costs. The challenges of an aging population apply to both countries, and both Canada and the United States must address them.

III. The Challenges of the 21st Century for the United States

Global competitiveness is a major challenge for the American economy. New forms of communications and more efficient mobility make it easier to import goods from abroad and to export products to other countries. In January, U.S. exports of $148.2 billion were at a record high and were 16.5% higher than a year earlier.[19]

and Census Agglomerations, 2006 Census – 20% Sample Data." *2006 Census*. Retrieved from http://www12.statcan.ca/english/census06/data/topics/RetrieveProductTable.cfm?ALEVEL=3&APATH=3&CATNO=&DETAIL=0&DIM=&DS=99&FL=0&FREE=0&GAL=0&GC=99&GK=NA&GRP=1&IPS=&METH=0&ORDER=1&PID=89058&PTYPE=88971&RL=0&S=1&ShowAll=No&StartRow=1&SUB=696&Temporal=2006&Theme=69&VID=0&VNAMEE=&VNAMEF=.

[17] Bureau of the Census. "Historical Poverty Tables – People." Current Population Survey. Retrieved from http://www.census.gov/hhes/www/poverty/histpov/hstpov3.html.

[18] Statistics Canada, "Persons in low income after tax, by prevalence in percent." Summary Tables. Retrieved from http://www40.statcan.ca/l01/cst01/famil19a.htm.

[19] U.S. Department of Commerce Bureau of Economic Analysis, "U.S. International Trade in Goods and Services January 2008." Retrieved from http://www.bea.gov/newsreleases/international/trade/tradnewsrelease.htm.

Nether the United States nor Canada can shy away from increased global competitiveness. It is here to stay, and lawmakers need to face it head on rather than hiding from discussions of outsourcing. Yes, it is estimated that U.S. firms outsource about 400,000 jobs a year, but foreign companies employ directly at least 6 million workers in the United States, according to the Department of Commerce, and indirectly provide an equal number jobs for millions of others.[20]

Increased global competitiveness is yet another reason for keeping U.S. and Canadian labour markets flexible and trying to extend that flexibility. As Institute for International Economics senior fellow Martin Neil Baily, has written in his 2004 book *Transforming the European Economy,* coauthored with Jacob Kierkegaard,

> "The key to economic growth in high-income countries is adaptability and flexibility. Only flexible economies are able to adapt to internal shifts, global developments from beyond their borders, and new technological advances, while generating productivity growth and new jobs required to achieve true social cohesion."[21]

An index of labour market flexibility measures for the G-7 countries published by the Office of Economic Cooperation and Development shows that the United States has the lowest amount of employer mandates governing the hiring and firing of workers of the countries examined, and Canada has the next lowest.[22]

This is associated with a vibrant labour market that benefits Canadian and American workers. Employment growth in the United States and Canada has been far higher than in Japan and Europe.

Not only are a higher proportion of Americans and Canadians employed, but these individuals work longer hours every year than do their counterparts in many other countries. OECD data show that Americans and Canadians worked for more hours each year than workers in the United Kingdom, Italy, France, and Germany. Of major industrialized countries, only workers in Japan work more hours per year than both Americans and Canadians.[23]

One reason Americans and Canadians work more is that lower tax rates permit them to keep more of what they earn. Americans and Canadians face lower taxes

[20] U.S. Department of Commerce, "Foreign Direct Investment in the U.S., Majority-Owned U.S. Affiliates, Employment." 2005. Retrieved from http://www.bea.gov/international.
[21] Kierkegaard, p 6.
[22] OECD, "Employment Outlook 2004." Chapter 2: Employment Protection Regulation and Market Performance, p 117. http://www.oecd.org/dataoecd/8/4/34846856.pdf.
[23] U.S. Department of Labour, "A Chartbook of International Labour Comparisons." January 2008, p 14 http://www.dol.gov/asp/media/reports/chartbook/2008-01/chartbook.pdf.

than Italians, French, and Germans. British workers are taxed about the same, and only Japanese workers are taxed less.

We saw above that Americans and Canadians have lower unemployment than do some other major industrialized countries. However, even when compared to workers in Nordic countries and others with lower unemployment rates, American and Canadian unemployed workers find jobs faster—they are unemployed for a shorter period of time. Only 12% of unemployed Americans and 10% of unemployed Canadians are unemployed for a year or more, compared with 33% for Japan, 34 % for France, 50% for Germany, and 58% for Italy.[24]

The greatest obstacle facing American workers today is the transition of manufacturing workers into the service economy. Over 3.5 million people in the manufacturing industry have lost their jobs in the last 10 years; however, the services industry has created over 16.5 million jobs in the same period.[25] Intuitively, those people who lost their jobs should have been absorbed into the growing services market. However, the high unemployment rates in traditionally manufacturing states such as Ohio and Michigan (5.5 and 7.1 compared to the national average of 4.9) suggests that this is not the case.[26]

The United States must find a way to help these workers transition into the service economy, the rising star of the American economy. These jobs, however, require different skills than those required in what were once high-paying, low-education jobs.

The cry for greater investment in education, particularly science and technology, in the United States, rings strangely. There is an avowed need for U.S. investment in R&D and other scientific fields, and yet there are many highly-trained workers that the United States prevents from working here. According to data provided by the National Science Foundation, 41% of U.S. doctorate degrees awarded in 2005 in science and engineering were awarded to foreigners on temporary visas.[27] Of these 11,500 graduates, only 66% remained in the country for two years or more. Historically, the United States has lost 30% or more of the

[24] U.S. Department of Labour, "A Chartbook of International Labour Comparisons." January 2008, p 18 http://www.dol.gov/asp/media/reports/chartbook/2008-01/chartbook.pdf.
[25] U.S. Department of Labour Bureau of Labour Statistics, *Employment Situation*. Retrieved through Haver Analytics. Valid as of March 2008.
[26] U.S. Department of Labour Bureau of Labour Statistics, "Regional and State Employment and Unemployment: January 2008." March 11, 2008. http://www.bls.gov/news.release/archives/laus_03112008.pdf.
[27] National Science Foundation, "Science and Engineering Doctorate Awards: 2005: Detailed Statistical Tables." December 2006. Retrieved from http://www.nsf.gov/statistics/nsf07305/content.cfm?pub_id=3757&id=2.

Ph.D. recipients trained in the country.[28] This is ignoring the 74,000 masters degrees in science and engineering awarded in 2004.[29] The problem is that temporary visas for high-skilled workers are in tight supply – only 65,000 are issued each year, and the allotted number have disappeared in less than a day in the past several years. And despite promises to the contrary, the backlog in the "green card" and citizenship application processes are nowhere near cleared up. So a large number of skilled workers are being forced to leave the United States, at the same time as policymakers worry about the U.S. gap in science education.

Another of the looming challenges faced in the U.S. labour market is its continuing difficulties with health insurance. Provided mostly by employers, health insurance expenditures have been rising. And the Small Business Administration has noted that these costs are even more burdensome for small businesses – a category of employers that makes up over 95% of U.S. businesses. The challenges of providing health insurance for workers are becoming a serious concern for U.S. employers. Without an adequate means to address this problem, the United States will continue to drain small-business or employee resources on health insurance's rising cost.

One impossible challenge of the 21st century is forecasting what technology is going to be 10 years from now. Ten years ago, in 1997, most Americans and Canadians did not have cell phones, they did not have email, and they could not even own BlackBerrys because they had not been marketed. With these new inventions productivity is rising substantially. We do not know where technology is going to lead the Canadian and U.S. economies in 2015 or 2025. But we do know that U.S. and Canadian employers are going to need to adapt to whatever comes along, and policy makers need to give them the tools to do so.

Although Canada and the United States have many similarities and their respective economies are closely integrated, significant differences exist in the two economies that, in turn, bear on the shape of the labour market now and over the medium term. The next section focuses on Canada.

IV. The Challenges of the 21st Century for Canada

Canada and the United States face many of the same economic challenges, as noted in the previous section of this paper. The two economies are closely

[28] Finn, Michael, "Stay Rates of Foreign Doctorate Recipients from U.S. Universities, 2005." Oak Ridge Institute for Science and Education, 2007. Retrieved from http://orise.orau.gov/sep/files/stayrate07.pdf.
[29] National Science Foundation, "Science and Engineering Degrees, by Race/Ethnicity of Recipients: 1995-2004: Detailed Statistical Tables." January 2007. Retrieved from http://www.nsf.gov/statistics/nsf07308/content.cfm?pub_id=3633&id=2.

integrated, making the two countries co-workers rather than simple trading partners, producing goods and services together thanks to supply chains that crisscross the border – often repeatedly in the generation of a finished product.

However, significant differences exist in the two economies that, in turn, bear on the shape of the labour market now and over the medium term. This section highlights some of the particularly important differences that mark out Canada and the challenges it faces in labour market adjustment that are distinct from those faced in the United States.

The Relative Importance of International Trade to the Canadian Economy. The first French and British colonies in what is now Canada thrived on the export of staples such as fish, furs, and lumber and ever since Canadians have relied on international trade for a major portion of their national income. In 2005, exports accounted for 33.8 percent of Canada's overall GDP, compared to just 9.8 percent of overall U.S. GDP derived from exports in that same year.[30]

This trade sensitivity makes Canadian labour markets vulnerable to changes in international trade rules, as well as to trade protectionism practiced by other countries. The recent debate in the United States over NAFTA, sparked by March 2008 comments by Democratic presidential candidates Hillary Clinton and Barack Obama , is therefore worrisome to many Canadian workers and their employers. Stable, rules-based market access for Canadian exports to the United States and world markets generally is important for Canadian workforce development.

The Relative Importance of the Canadian Commodity Economy. Canada has always been one of the world's largest commodity producers, and commodity exporters. This is one reason for the early growth if Canadian exports to the United States: Canada had raw materials that it could ship to markets in New England and the Midwest via the Great Lakes and the Erie Canal.

Global demand for commodities has surged due to the recent growth of developing country economies, particularly those like China and India that have a limited endowment of natural resources. At the same time, energy-related commodities have seen higher prices, but Canada has a limited ability to sell its oil, gas, and electricity to countries other than the United States (where demand for these products is strong) due to a lack of infrastructure: for example, Canada does not have a pipeline to carry oil to the Pacific coast, and instead ships oil to be refined mainly in the U.S. Midwest; Canada does not have a terminal capable

[30] *OECD Observer 2007*

of liquefying and shipping natural gas; and electricity transportation is geographically limited by the reliance on power lines.

The Bank of Canada's Commodity Price Index (BCPI) is a fixed-weight index of prices for 23 commodities produced in Canada and sold around the world. The weight of each commodity (categorized in three groups: energy, food and industrial materials) is based on the average value of Canadian production of that commodity between 1988 and 1999. The most recent annual data show that world market prices for commodities that Canada produces and exports have more than doubled in the ten years between 1998 (when the BCPI was 89.97)and 2007 (when it rose to 208.75).[31]

One result of higher commodity prices and strong global demand is to draw workers into the commodity economy, where skilled labour is in demand but the particular skills required demand specialized training. From pipeline builders to forestry workers, Canada faces a sharp challenge providing the training necessary to transition available workers into the commodity-producing workforce.

A second result of higher commodity prices is the recent rise in the value of the Canadian dollar relative to other currencies. Canada has a diversified economy, but relies on commodity exports for roughly 200 percent of net export revenues. Therefore high global prices for commodities have put upward pressure on the Canadian dollar. The immediate impact of a rise in the value of the Canadian dollar is the rise in the cost of Canadian exports for foreign purchasers, which can be partly offset by the lowered cost of foreign inputs imported by Canadian firms. As with any exchange rate adjustment, the economy will quickly adapt to new exchange rate realities; however, exchange rate volatility can cause significant problems for the labour market by making it more difficult for firms to adjust without layoffs.

Labour Productivity Gap with the United States. The higher value of the Canadian dollar has raised the price of Canadian exports in U.S. dollar terms, exposing a gap in labour productivity (output per worker per hour) that is particularly noticeable in the manufacturing sector. Canadian manufacturing productivity growth has not been stagnant in recent years, but it has not kept pace with the stronger productivity growth of the United States.[32]

Previously, the exchange rate allowed cost savings that masked the productivity gap that had emerged due in part to a higher rate of investment in capital

[31] Bank of Canada, 2008.
[32] Cobet and Wilson, 2002.

equipment for the automation of production by manufacturing companies in the United States.

As Canadian firms take advantage of the greater purchasing power of the Canadian dollar abroad to invest in automation, the result is likely to be a rapid decline in manufacturing employment – Canadian firms may be doing what U.S. firms have been doing gradually over 20 years, but more quickly and painfully for the Canadian economy.

Limited Internal Labour Mobility in Canada. According to a recent study by the C.D. Howe Institute, while the national employment rate in September 2007 was at an historic low (5.1 percent) the prevailing rate in southern Newfoundland and Labrador for the same period was 17.8 percent, while in central Alberta is was only 2.8 percent.[33]

Canada's vast geography (and the corresponding costs associated with relocation) provide part of the explanation, but compounding the problem are provincial barriers to trade and the free flow of Canadian workers. Residency requirements, professional and skills certifications, and local procurement and hiring mandates imposed by provinces on projects that receive all or part of their financing from the provincial treasury all complicate the movement of workers and the firms that employ them. Moreover, provincial welfare programs may require a period of residency as a condition of benefits eligibility – raising the cost to an unemployed worker of a move across the country that does not result in finding work.

Recent attempts to address the problem of mobility, including the Agreement on Internal Trade (AIT) and the Trade, Investment and Labour Mobility Agreement (TILMA) between British Columbia and Alberta have made progress, but workers in Canada remain less mobile than their counterparts in the United States.

Immigration and the Workforce. Canada has successfully sought skilled immigrants capable of making an immediate economic contribution to the country. Today, roughly 11 percent of the Canadian population of 32 million is a first or second generation immigrant from Asia (south Asia or East Asia). This accomplishment has helped the Canadian population to expand from 22 million in 1982 to 31 million by 2002 at a time when the Canadian birth rate was below the population replacement rate of 2.1 children per family.

[33] Guillemette, 2007.

However, a 2006 survey by the Canadian Labour Congress found that "foreign-born, visible minority" workers earned C$4,936 less than Canadian born whites. Canadian-born visible minority workers between the ages of 25 and 44 earned C$8,158 less than Canadian-born whites – suggesting that the problem may persist due to racism, and is not fully explained by cultural and linguistic adjustments by new immigrant workers.

Another possible explanation may be the decline in skills levels of new immigrants compared to immigrants in previous generations. Harvard University economist Jeffrey Williamson notes (with regard to the United States) that:

> "While world migration has surged, the labour market quality of these immigrants has declined. For example, U.S. immigrant males earned 4.1 percent more than native-born males in 1960 but 16.3 percent less in 1990. Immigrants always suffer an earnings disadvantage before they assimilate, but their initial wage (relative to that of the native born) deteriorated by 24 percentage points between 1960 and 1990. Although the average educational attainment of immigrants improved, it did not increase as rapidly as that of the native born. The percentage of newly arrived immigrants with only a high school education or even less schooling was 5.6 percentage points higher than the better-educated native born in 1970, but 20.4 percentage points higher in 1990, an almost fourfold increase." (Williamson 2006)

The United States and Canada have sought to address the consequences of declining birth rates through immigration, but if Williamson is correct, and his argument holds true for Canada's recent immigrants as well, the skills training component of immigrant assimilation will prove especially important for both countries.

V. Conclusions

As the economies of the United States and Canada expand, economic adjustments will take place also. It is common and understandable for citizens of both countries to fear this unknown future. However, as in the past, adjustments should happen without too many problems. Both Canadians and Americans have flexible labour and product markets, enabling them to cope with changing demography. It is possible for both countries to craft solutions to adjustment problems by setting up cost-efficient programs and adequate incentives. These types of programs can carry us through this transition and enable us to move with confidence into the 21st century.