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Canada has one of the highest shares of immigrants among developed countries. According to the 2021 Census, immigrants made up nearly one-quarter (23.0%) of the population—the largest proportion among G7 nations—and this figure is expected to rise to almost 32% by 2041 (Statistics Canada, 2022). Immigrants also tend to have higher business ownership rates compared with those born in Canada (Green et al., 2016). Therefore, understanding the impact of immigrant-owned businesses on the Canadian economy is essential.

This article highlights key findings from two recent studies (Liu et al., 2024a; Liu et al., 2024b) that explore the labour productivity and fiscal contributions of immigrant-owned firms. Drawing from the Canadian Employer–Employee Dynamics Database covering the period from 2001 to 2020, these studies analyze the relationship between immigrant business ownership and both firm-level labour productivity and fiscal contributions. The research takes into account firm characteristics and the characteristics of immigrant owners upon their arrival. Additionally, the studies examine differences in labour productivity and fiscal contributions between firms that are majority-owned versus minority-owned by immigrants.

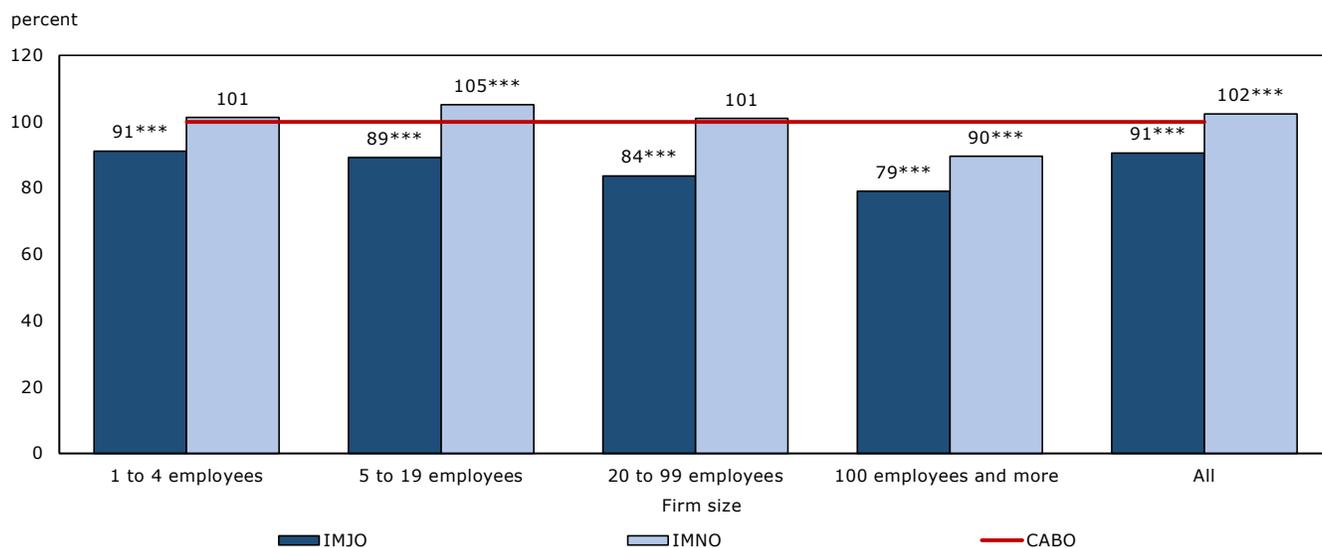
Firms with immigrant majority ownership are, on average, less productive than firms owned by Canadian-born individuals, while firms with immigrant minority ownership are just as productive, with firm size significantly influencing the labour productivity gap

After controlling for firm characteristics such as employment, capital intensity, industry and province, the labour productivity of firms majority-owned by immigrants was found to be 9.4% lower than that of their counterparts owned by Canadian-born individuals across all firm sizes. Conversely, the labour productivity of firms with immigrant minority ownership was 2.4% higher than that of firms owned by the Canadian-born population (Chart 1).¹

However, immigrant-owned firms were more concentrated among small firms, and this overall labour productivity gap conceals important variations across firm sizes. The productivity gap increased with firm size. For firms with fewer than five employees, the productivity gap between firms majority-owned by immigrants and those owned by Canadian-born individuals was 8.8%. This gap widened as firm size increased, reaching 20.9% for firms with 100 or more employees. For firms with immigrant minority ownership, while they were slightly more productive than their counterparts owned by the Canadian-born population among firms with fewer than 100 employees, they were 10.3% less productive compared with these counterparts among firms with 100 or more employees.

1. Firms majority-owned by immigrants are business where the shares owned by immigrants are 50% or greater and the shares owned by Canadian-born individuals are less than 50%. Firms minority-owned by immigrants are businesses where the shares owned by immigrants total less than 50% but greater than 0. Firms owned by Canadian-born individuals are businesses with no immigrant owners.

Chart 1
Estimated firm-level labour productivity gap by firm size and immigrant ownership



*** significantly different from reference category ($p < 0.001$)

Notes: IMJO = firms majority-owned by immigrants; IMNO = firms with immigrant minority ownership; CABO = firms owned by Canadian-born individuals.

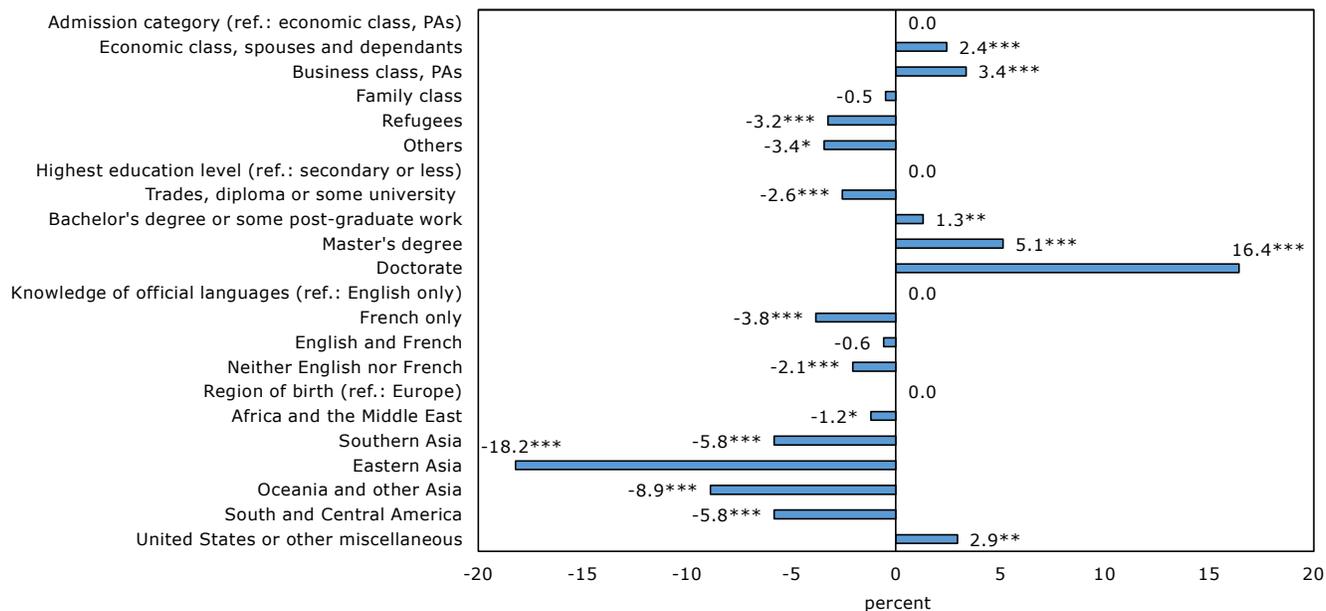
Source: Statistics Canada, Canadian Employer–Employee Dynamics Database, authors' calculation.

The labour productivity of immigrant-owned firms is positively correlated with the education, knowledge of official languages and previous business experience of immigrant owners, particularly for small and medium-sized firms

The characteristics of immigrant owners,² particularly those related to human capital, positively contributed to the labour productivity of immigrant-owned firms. Firms owned by immigrants admitted through the business class (principal applicants) exhibited the highest level of labour productivity, 3.4% higher compared with the reference group of firms owned by immigrants admitted through the economic class (principal applicants). This evidence indicates that owners’ previous business experience positively impacts firms’ labour productivity. In contrast, firms owned by immigrants admitted through the refugee category and other categories were among the least productive (Chart 2).

2. An immigrant who owns the most shares is selected if a business has more than one immigrant owner.

Chart 2
Correlations between selected characteristics of immigrant owners and firm-level labour productivity



* significantly different from reference category ($p < 0.05$)

** significantly different from reference category ($p < 0.01$)

*** significantly different from reference category ($p < 0.001$)

Notes: Ref. = reference category; PAs = principal applicants.

Source: Statistics Canada, Canadian Employer–Employee Dynamics Database, authors' calculation.

The education level of immigrant owners demonstrated a strong and positive correlation with a firm's productivity. For instance, immigrant-owned firms with owners holding a doctoral degree exhibited the highest labour productivity, 16.4% higher than firms whose owners held a high school diploma or less. Immigrant-owned firms with owners possessing a master's degree were the second most productive, followed by those whose owners had a bachelor's degree (Chart 2).

The ability of immigrant owners to speak official languages was also correlated with a firm's labour productivity. Immigrant-owned firms whose owners were proficient only in English or both English and French were equally productive and outperformed those led by owners proficient only in French or neither English nor French. Interestingly, immigrant-owned firms whose owners were proficient only in French experienced the lowest labour productivity, which may be related to limited market or business opportunities caused by language barriers (Chart 2). These findings highlight the important role of owners' human capital in improving firm performance, consistent with other studies (Fairlie and Robb, 2009).

Geographically, immigrant-owned firms led by owners who arrived from Europe, the United States or other miscellaneous regions were the most productive. In contrast, firms with owners from Eastern Asia were the least productive, on average (Chart 2).

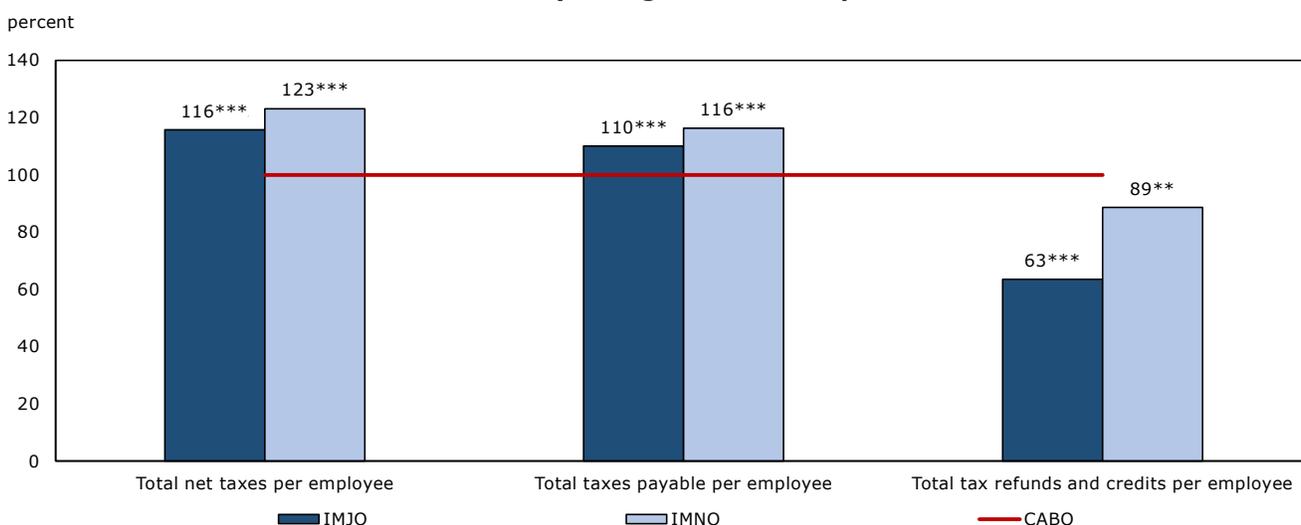
However, the correlations of these characteristics with firm labour productivity were mostly significant among small and medium firms with fewer than 100 employees. Among large firms with 100 or more employees, these relationships largely disappeared, except for the education level of immigrant owners. In large firms, those with immigrant owners holding either a bachelor's or master's degree, but not a doctoral degree, became the most productive. While immigrant-owned firms led by owners from Europe, the United States or other miscellaneous areas remained among the most productive across all sizes, firms led by Eastern Asian owners were no longer the least productive among firms with 100 or more

employees. In fact, they were as productive as firms whose owners came from Europe and the United States.

Immigrant-owned firms (both majority and minority immigrant-owned) tend to pay higher net taxes per employee compared with firms owned by Canadian-born individuals

After controlling for firm characteristics, firms with immigrant majority ownership paid, on average, 16% more in net taxes (total taxes payable minus tax refunds or credits) per employee than their counterparts with Canadian-born owners (Chart 3). Firms with immigrant minority ownership paid even more—23% higher net taxes per employee (Chart 3).

Chart 3
Estimated firm-level fiscal contributions by immigrant ownership



** significantly different from reference category ($p < 0.01$)

*** significantly different from reference category ($p < 0.001$)

Notes: IMJO = firms majority-owned by immigrants; IMNO = firms with immigrant minority ownership; CABO = firms owned by Canadian-born individuals.

Source: Statistics Canada, Canadian Employer–Employee Dynamics Database, authors' calculation.

This increase in net taxes is attributable to both higher total taxes payable and lower tax refunds or credits. Specifically, firms with immigrant majority ownership paid 10% more in total taxes before refunds and received 37% less in tax refunds or credits per employee. Similarly, firms with immigrant minority ownership paid 16% higher total taxes and received 11% less in tax refunds (Chart 3).

Within immigrant-owned firms themselves, those with immigrant minority ownership paid 16% more in net taxes per employee than those with immigrant majority ownership, even after accounting for firm and owner characteristics. Factors such as the immigrant owner’s business experience, education and proficiency in both official languages were positively associated with higher net taxes per employee.

Conclusion

Immigrant-owned firms, particularly those with immigrant majority ownership, were generally less productive than firms owned by Canadian-born individuals (no immigrant owners), and this productivity gap widened as firm size increased. This gap may tie to several factors. For instance, immigrant-owned firms face more financial constraints that could limit their ability to invest in productivity-enhancing technology or skilled labour; even after adjusting for broad sector differences, immigrant-owned firms may still be concentrated in highly competitive, low-margin industries (e.g., small retail, restaurants, or personal services) that have lower economies of scale and fewer opportunities for productivity growth.

Firms with immigrant minority ownership outperformed those with immigrant majority ownership across all firm sizes. In fact, small and medium firms (with fewer than 100 employees) that were minority immigrant-owned showed similar productivity levels compared with their counterparts owned by Canadian-born individuals. Additionally, minority immigrant-owned firms contributed more to net taxes payable than their majority immigrant-owned counterparts. These findings suggest that collaboration between immigrant and Canadian-born owners could be beneficial, since co-ownership facilitates the exchange of information, culture, experiences and networks, helping to develop products that meet diverse demands.

The characteristics of immigrant owners at the time of arrival, such as education, business experience and language proficiency, were positively correlated with the labour productivity and fiscal contributions of immigrant-owned firms. These factors were particularly significant for small and medium firms, with education being the most important predictor of productivity across all firm sizes. This highlights the crucial role of education in supporting skilled labour supply and the success of businesses in the Canadian economy.

Authors

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