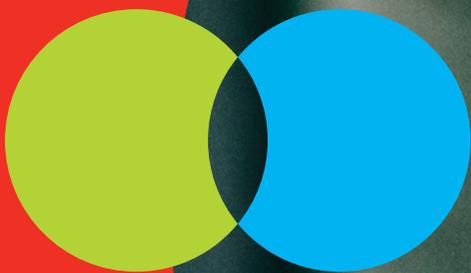


The Conference
Board of Canada



Building on COVID-Period Immigration Levels

The Economic Case



Century Initiative | Initiative du Siècle

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Contents

- 1 Key findings**
- 2 Introduction**
- 3 The economic benefits of building on COVID-era immigration levels**
- 6 Implementing immigration as a growth strategy**
- 13 Recommendations: Unlocking the full economic potential of immigration**

- Appendix A**
- 15 Methodology**

- Appendix B**
- 18 Bibliography**

Key findings

- Building on COVID-era immigration targets would benefit the Canadian economy, leading to greater GDP and public revenues, as well as a better worker-to-retiree ratio. Our modelling found that a growth scenario would result in an extra \$67 billion in GDP and \$15.5 billion in public revenues annually by 2040, compared with a return scenario that reverts to pre-COVID immigration levels.
- Canada remains a highly attractive destination for potential immigrants, with a long-standing commitment to multiculturalism, as well as access to permanent residency and citizenship improving Canada's reputation. While other countries can adopt similar immigration policies, it would be more difficult to replicate Canada's social fabric and the stability of the immigration system.
- Canada needs immigrants to fill vacancies that require a wide range of education and skill levels. Selection for permanent residency should reflect this reality.
- Higher immigration levels yield moderately lower growth in GDP per capita—1.9 per cent lower than in the return scenario—by 2040, influenced by the employment and income gaps between immigrants and non-immigrants. By addressing this gap, policy-makers can support better integration outcomes for newcomers and boost GDP per capita.
- Settlement services should be accessible and offered early to current and prospective immigrants, covering all dimensions of social and economic inclusion. Changes in the selection and settlement priorities should inform settlement service types and availability.
- Successful regionalization is key to spreading the benefits of immigration across Canada, especially across smaller communities. The current and upcoming regional pilots will yield key information on how to boost attraction and retention outside of metropolitan centres.
- Immigration policies should be accompanied by strategies to effectively manage growth, including investing in infrastructure and sustainability, addressing housing affordability, and providing equity and opportunities for Indigenous communities.



Introduction

Immigration creates population and economic growth and is key to Canada's future prosperity. Immigrants provide skilled labour and replace Canada's retiring workers. They help companies innovate and access new markets, and they start or invest in businesses that generate employment for other Canadians.¹

Immigrants also contribute to economic growth as consumers by increasing the demand for goods and services. Immigration is part of a strategy to build a promising future for Canada alongside plans to address key issues including infrastructure, climate, housing affordability, and socio-economic gaps for Indigenous Peoples.

In October 2020, the Canadian government announced the 2021–23 Immigration Levels Plan, which increases target levels of immigration over the next three years, both to make up for low immigration in 2020 and to ensure that Canada's population and economy can continue to grow. To help achieve the 2021–23 goal, the government has introduced temporary policies to grant permanent residency to refugee claimants in frontline work, temporary workers in essential work, and recently graduated international students.² Taken together, these policies reflect a strong commitment to immigration and an investment in a bright future for Canada.

This openness may allow Canada to gain a strategic advantage in attracting immigrants and competing for global talent compared with peer countries that are not taking as bold an action.

Government support for immigration is backed by widespread public support, something that distinguishes Canada from other OECD countries. A 2020 Environics Focus Canada survey found that public support for immigration reached an all-time high during the pandemic, with 84 per cent of respondents saying that immigration has a positive economic impact. Only 27 per cent of respondents—a record low in the 40 years of the survey—said that immigration levels are too high.³

Support for immigration is also backed by the evidence. Economic modelling shows a net gain for Canada when immigration numbers grow. This report outlines the future economic benefits of building on the immigration levels as well as the programs, services, and supports that Canada will need to attract, select, admit, and settle immigrants in a way that maximizes the benefits of immigration for both immigrants and Canadians. The report concludes with a set of recommendations for governments and other key stakeholders such as employers to ensure that immigration serves both immigrants and Canada overall.

1 Green and others, "Immigration, Business Ownership and Employment in Canada."

2 IRCC, "New Pathway to Permanent Residency for Over 90,000 Essential Temporary Workers and International Graduates."

3 Environics Institute for Survey Research, "Canadian Public Opinion About Immigration and Refugees."

The economic benefits of building on COVID-era immigration levels

We modelled the economic impact of immigration in two different scenarios. The first scenario (the **growth** scenario)⁴ draws on The Conference Board of Canada's (CBoC) population modelling used in Century Initiative's *2021 National Scorecard on Canada's Growth and Prosperity*. This modelling uses the 2021–23 Immigration Levels Plan as a base and then grows immigration over three years before pegging immigration levels at 1.14 per cent of the projected population beginning in 2026. This results in an annual immigrant intake of 557,846 by 2040.

The second scenario (the **return** scenario) returns immigration levels to the pre-pandemic target of 371,000 after the current levels plan expires in 2024. It then grows immigration levels by 1 per cent per year. This results in an annual immigrant intake of 435,027 in 2040.

Our modelling found that the growth scenario, compared with the return scenario, raises gross domestic product (GDP) and public revenues by 2.3 per cent and improves the ratio of the working-age population to retirees. It also leads to a 1.9 per cent lower outcome in GDP per capita, influenced by the income gap between immigrants and non-immigrants. By addressing this gap, policy-makers can support better integration outcomes for newcomers and boost GDP per capita.

The modelling addressed four key indicators:

- GDP
- GDP per capita⁵
- public revenues
- working-age to retiree ratio⁶

These four indicators are useful in assessing the economic impact of immigration levels and for informing policy choices. Future research and refinements to our model may include additional indicators.

Immigration contributes to GDP growth

GDP growth is used as an indicator of the health of the economy and is essential to ensuring continued prosperity and a high quality of life for all Canadians. Immigration remains one of the most consistent mechanisms at Canada's disposal to grow GDP. The growth scenario model would result in an extra \$18 billion in GDP annually by the end of 2030 and \$67 billion by 2040 compared with the return scenario. (See Chart 1.)

Immigrants can help support an aging population

Canada has an aging population. As the uniquely large baby-boom generation ages, younger generations are having fewer children, raising the average age of our population.⁷

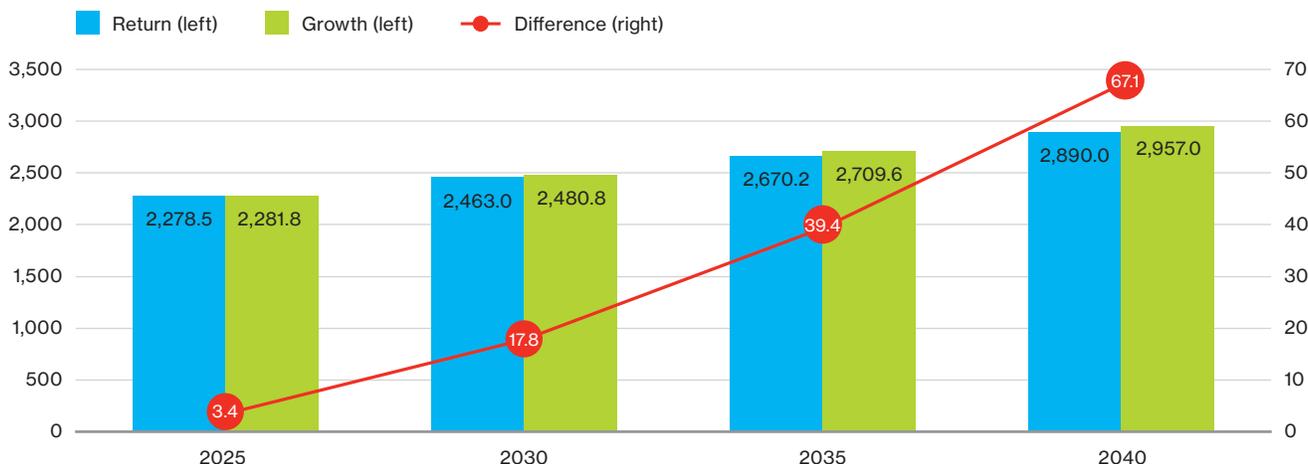
4 See methodology in Appendix A for more on the different scenarios.

5 The value of GDP divided by Canada's population.

6 The number of working-age people (aged 20 to 64) per retiree (aged 65 and over). Working people generate tax revenue that pays for supports for retired people such as pensions, as well as health and social care.

7 El-Assal and Fields, *450,000 Immigrants Annually? Integration Is Imperative to Growth*.

Chart 1
Projected GDP per year
(\$ billions)



Sources: The Conference Board of Canada; Statistics Canada; Immigration, Refugees and Citizenship Canada.

This means a decline in the available labour and skills in the economy, but it could also create issues in our social welfare balance with fewer tax-paying workers supporting a greater number of retirees. Public policy measures aimed at increasing birth rates have at times yielded modest gains. For example, according to a 2019 UN Population Fund report, accessible, high-quality child care that begins when parental leave concludes is “indispensable to sustaining higher fertility rates.”⁸ However, any changes in the birth rate necessarily have a long lag before they impact the labour market. Immigration is a reliable tool to increase the number of working-age people in Canada in both the short and medium term.

According to IRCC, Canada had approximately 6.6 workers for each retiree in 1971, a ratio that had dropped to 4.2 workers per retiree by 2012.⁹ Both immigration scenarios see the ratio worsening further before reversing by 2040, but the worker-to-retiree ratio drops the most in the return scenario. (See Table 1.) The growth scenario reverses the trend more quickly and reduces the economic burden on working-age people.

Table 1
Projected working-age to retiree ratio
(ratio of working-age people [20–64] to retirees [65 and over])

	2025	2030	2035	2040
Return	2.91	2.59	2.52	2.54
Growth	2.92	2.63	2.59	2.64

Sources: The Conference Board of Canada; Statistics Canada; Immigration, Refugees and Citizenship Canada.

8 Sobotka, Matysiak, and Brzozowska, Policy Responses to Low Fertility: How Effective Are They?

9 IRCC, “Backgrounder: Growing Canada’s Economic Future.”

Immigrants support government revenues

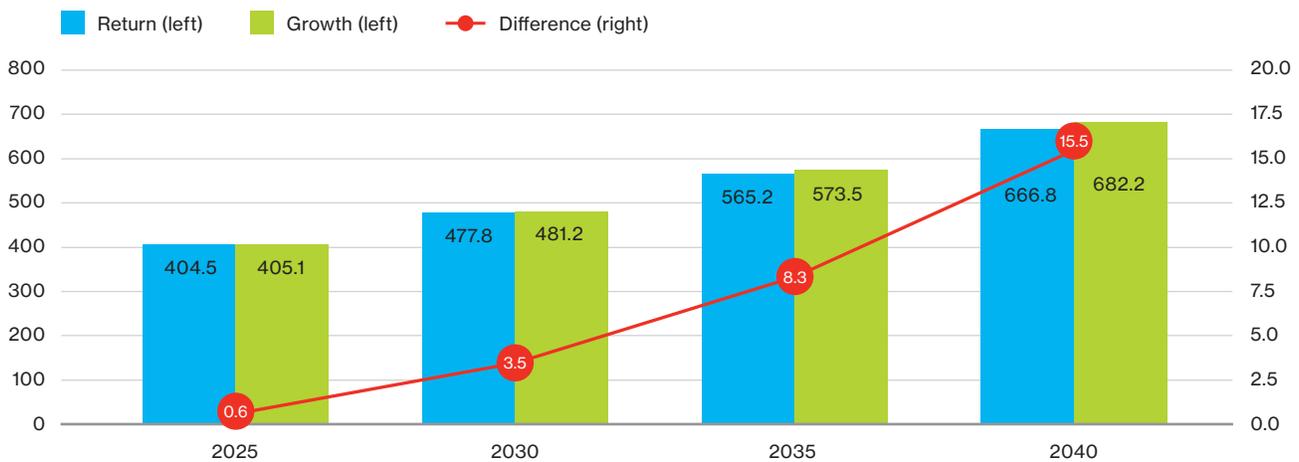
By paying taxes, immigrants increase government revenues. Combining this with an improved ratio of working-age people to retirees will help maintain the quality of life for all Canadians by funding infrastructure and key services such as health care, child care, and education.

By 2030, the growth scenario is estimated to provide \$3.5 billion in additional revenue annually for the federal government. By 2040, the difference grows to \$15.5 billion annually. (See Chart 2.) Additional tax benefits would also arrive at the provincial and municipal levels, further supporting key government programs and services.

GDP per capita points to integration challenges

GDP per capita increases over time in both scenarios. However, the model shows that higher immigration levels result in modestly lower growth in GDP per capita compared with the return scenario. Specifically, by 2040, the growth scenario results in a lower annual GDP per capita (\$1,193), a 1.9 per cent difference. (See Table 2.) Based on past economic performance, immigrants grow the population more quickly than the GDP. One key factor for this is the employment and income gaps that are experienced between immigrants and non-immigrants with similar educational background, the gaps being the result of the barriers that immigrants experience in the labour market.

Chart 2
Projected federal government revenues
 (\$ billions)



Sources: The Conference Board of Canada; Statistics Canada; Immigration, Refugees and Citizenship Canada.



Table 2
Projected GDP per capita per year
(\$)

	2025	2030	2035	2040
Return	\$57,012	\$58,843	\$61,206	\$63,870
Growth	\$56,895	\$58,383	\$60,397	\$62,676

Sources: The Conference Board of Canada; Statistics Canada; Immigration, Refugees and Citizenship Canada.

On average, it takes Canada's economic immigrants 10 years to generate an income that matches the Canadian average.¹⁰ This is despite economic immigrants being significantly better educated than the average Canadian. If Canada can help immigrants move more quickly to employment that matches their skills and experience, they will be more productive, improve their earnings, and raise GDP and GDP per capita to the benefit of all Canadians.

Notably, GDP per capita is an average, but it does not measure how income is shared across society. Income inequality measures better illustrate the distribution of income. GDP per capita is one important indicator of our prosperity as a country and of our capacity to build strong public services.

Implementing immigration as a growth strategy

To successfully use immigration to drive population and economic growth, Canada needs to ensure newcomer success through the process of attracting, selecting, admitting, and settling immigrants. These areas are complex and

interrelated. When immigrants have positive settlement experiences, it both benefits the immigrant and enhances Canada's reputation abroad, increasing interest in choosing Canada as a destination. Selecting immigrants and helping them find the job opportunities and welcoming communities they seek will strengthen their settlement experience and economic integration, which in turn increase their contributions to GDP and public revenue growth. Canada is well positioned to leverage immigration and settlement policies to meet the country's growth goals, although there are areas where challenges remain.

Attracting immigrants

Attractive immigration policies

Canada ranks high as a destination country.¹¹ It has consistently offered opportunities for economic immigrants to settle permanently in the country with their families. Permanent residents in Canada enjoy most of the same rights as citizens, and access to citizenship is more open compared with peer immigrant-attracting countries like the United States.¹²

10 Statistics Canada, "Longitudinal Immigration Database (IMDB) Interactive Application."

11 Migrant Integration Policy Index 2020; OECD, "How Do OECD Countries Compare in Their Attractiveness for Talented Migrants?"

12 Migrant Integration Policy Index 2020.

The Conference Board of Canada

For many prospective immigrants who can choose between possible destinations, confidence that they can access permanent residency and citizenship is an important consideration.¹³ Potential immigrants may not select a destination based on immigration policies alone, but immigration policies can create barriers that deter people.

At the same time, permanent residency is more accessible to some immigrants than others. For those who are admitted with temporary visas, the path to permanent residency is not as fast or transparent as it could be. There are more than 70 programs under which someone may transition from temporary to permanent status.¹⁴ The multitude of programs allows for diverse selection criteria, but it also makes the process complex. Information and eligibility requirements are scattered across federal, provincial, and territorial websites. Some programs have seen significant processing delays and backlogs.

These factors suggest there is room for improvement in Canada's immigration policies. Prospective immigrants are more likely to come to Canada if there is transparency about visa eligibility, pathways to permanent residency, and how family members can come to Canada as well.

13 For example, see Al-Haque, "University Internationalization, Immigration, and the Canadian Dream."

14 Esses and others, *Supporting Canada's COVID-19 Resilience and Recovery Through Robust Immigration Policy and Programs*.

Attracting top talent to Canada

Canada ranks among the top OECD countries in terms of attractiveness to top talent.¹⁵ While economic strength and labour market opportunities could give an edge to the United States, good immigration policies help to level the playing field for Canada.¹⁶ Ease of entry and early access to permanent residency give people confidence that they can build both a career and a life in Canada. At the same time, there is global competition to attract people who are leaders in their fields, including in high-growth sectors and scientific research. Continuing to improve Canada's environment for business development, research, and innovation will keep Canada competitive in attracting top talent.



15 OECD, "How Do OECD Countries Compare in Their Attractiveness for Talented Migrants?"

16 Ibid.

Canada's favourable social context

Canada offers an attractive social context. It is widely known for its multiculturalism, diverse population, widespread public support for immigration, reputable education system, and safety, as well as strong public services such as universal health care for permanent residents and citizens. The country ranked fourth among 52 countries for its integration policies in 2020. The United States was in the sixth position, followed by Australia in ninth and the United Kingdom in 21st.¹⁷ While this positions Canada well to attract immigrants, there is still work to be done to ensure racialized immigrants, who often face persistent labour market challenges and systemic discrimination, are treated equitably and inclusively.¹⁸

While other countries may emulate Canada's immigration policies, it is more difficult for them to replicate some of the broader advantages, particularly Canada's long tradition of commitment to multiculturalism and openness to immigration.¹⁹ The stability of Canada's immigration system across time also suggests that potential immigrants can expect continued pathways to permanent residency and citizenship, as well as access to rights.

Selection and admission of immigrants

Selection priorities

Canada looks to select immigrants for economic streams who want to relocate permanently to Canada and who are likely to find economic success. Canada has progressed toward that goal by prioritizing individuals with high human capital (based on factors such as education and work experience) and knowledge of at least one of Canada's official languages.

One of the drawbacks of this emphasis on human capital is that Canadian employers report persistent labour shortages across a range of industries and occupations that require various levels of qualifications. For example, there are still unfilled vacancies in essential sectors where immigrants are already filling critical roles to maintain the health, safety, and well-being of Canadians, sectors from nursing to truck transportation.²⁰ Canada's selection priorities should accordingly account for sector-based labour and skill needs.

Regional selection of immigrants

Rural and small communities across Canada are experiencing economic slowdowns and aging populations. Lack of economic opportunities can lead to a perpetual "cycle of decline."²¹

17 Migrant Integration Policy Index 2020.

18 Block, Galabuzi, and Tranjan, *Canada's Colour Coded Income Inequality*.

19 Hiebert, *What's So Special about Canada?*

20 McMahon, "Nursing Job Vacancies Are Soaring across Canada"; Butler, "A 'Demographic Tsunami' Is About to Make Canada's Trucker Shortage Even Worse."

21 Esses and Carter, *Beyond the Big City: How Small Communities Across Canada Can Attract and Retain Newcomers*.

The Conference Board of Canada

Immigration could potentially help reverse these trends. However, more than half of newcomers have traditionally settled in or near just three cities: Toronto, Vancouver, and Montreal.²² Such settlement patterns leave rural and small communities unable to benefit from immigration. Selecting immigrants with an interest in living in rural and small communities helps stimulate local economic growth through population and labour force growth.²³

To facilitate greater geographic distribution of immigrants, Canada has created provincial nominee programs (PNPs). Through PNPs, provinces can select immigrants who want to move there and who fill local labour shortages. Canada is one of the few countries in the world with regional immigration initiatives involving provinces, businesses, and community organizations in the selection process. Canada continues to innovate in selecting immigrants based on regional labour market needs and will soon pilot a municipal nominee program.



22 Statistics Canada, "Immigration and Ethnocultural Diversity: Key Results From the 2016 Census."

23 El-Assal, *Immigration Beyond the GTA: Toward an Ontario Immigration Strategy*.

Morden: Growing workforce and local population through immigration

Being willing to welcome more immigrants and a commitment to their success could give smaller communities an edge. Morden, Manitoba, is a small community that has been able to attract, with purposefulness and early focus, many immigrants by recognizing talent needs and a looming demographic challenge. The City of Morden collaborated with the federal and provincial governments to attract immigrants through the Provincial Nominee Program. The City, through the Morden Community Driven Immigration Initiative, was able to adjust the immigrant selection criteria to welcome those who are likely to succeed in a rural town setting and match the needs of the local industries.²⁴ The City managed to double its immigrant population over the course of 10 years (2006–16) and to expand its workforce by 30 per cent.²⁵



24 Holley and Jedwab, *Welcoming Immigrants and Refugees to Canada: The Role of Municipalities*.

25 IRCC, "Economic Profile Series: Morden, Manitoba."

Adaptations due to COVID-19 travel restrictions

Admitting immigrants has become a challenge during the pandemic due to travel restrictions implemented to protect public safety. As a result, fewer new immigrants were admitted during 2020, temporarily setting back plans to grow Canada's population and economy through immigration. The government responded by temporarily expanding the eligibility criteria for temporary residents already in Canada to apply for permanent residency. New permanent residents are now permitted to travel to Canada if they comply with current health measures. To maintain public support for immigration, the government should have clear communication about how the admission of new immigrants from abroad will be managed safely in context of the pandemic.



Nimble policy tools

Canada's immigration policy framework is not only stable but also nimble. Changes can be made by the Minister to the number and demographic profile of new immigrants in the economic stream without requiring legislative changes. This works to Canada's advantage in selecting and admitting immigrants, as the country can respond to evolving conditions, ensure that ambitious immigration targets can be achieved, and meet region-specific needs.

Settling immigrants and maximizing the benefits

Employment rates and income levels for immigrants lag behind their Canadian peers with similar qualifications.²⁶ Many immigrants experience underemployment, in which their job does not reflect their skills and experience. This is particularly true in the short term but can persist for some immigrants. In addition, immigrants are more likely to start their own business than their Canadian-born counterparts²⁷ but do not always have access to entrepreneurial support at the outset. Better and faster integration into the workforce and greater entrepreneurship prospects can increase the economic success of immigrants, which would in turn increase GDP, GDP per capita, and public revenues in both the growth and return scenarios. Therefore, investments in the successful settlement of new immigrants will benefit both immigrants and Canada overall.

26 Yssaad and Fields, "The Canadian Immigrant Labour Market: Recent Trends From 2006 to 2017."

27 Green and others, "Immigration, Business Ownership and Employment in Canada."

Improving settlement services and credential recognition

Settlement services help set immigrants up for success, but the uptake of these services has traditionally been low. Settlement services could more effectively support immigrants if they are:

- **Offered early on:** Temporary foreign workers and international students who currently lack access could benefit from being eligible for services before becoming permanent residents. In addition, pre-arrival services could help mitigate some of the economic and social challenges that immigrants face. Immigrants who use pre-arrival services benefit from understanding the employment prospects and industry trends in Canada before arrival.²⁸ They can be further supported to learn more about potential opportunities in rural and smaller communities, which would help them to settle where they are most likely to succeed.
- **Accessible:** The services should be widely accessible, particularly for immigrants settled outside of traditional immigration centres. Virtual service delivery could help expand some of the services. However, as the pandemic has revealed, not all immigrants or service providers have the same level of digital literacy and infrastructure. Expanding access should go hand in hand with efforts to bridge the digital divide.

- **Fit for purpose:** As selection and settlement patterns change, the types of settlement services needed are also changing. They also vary by region and immigration category. More immigrants are beginning their life in Canada with temporary visas, which necessitate revisiting the available services to assess what is likely to help a different composition of immigrants. Policy-makers should recognize the entrepreneurship potential of all immigrants and ensure access to entrepreneurial supports. In addition, settlement service providers should work with employers to adapt to local needs.
- **Holistic:** Immigrants, compared with those born in Canada, continue to be disproportionately affected by lack of access to affordable housing, child care, mental health supports, and financial safety nets, particularly within the pandemic context.²⁹ As a response, settlement services need to be comprehensive enough to cover all aspects of economic and social inclusion.

Streamlining and expediting credential recognition processes would further expand immigrant contributions. Immigrants in regulated professions in particular face underemployment because their credentials are not recognized in Canada, and they cannot work in their field.³⁰



28 IRCC, "Evaluation of Pre-Arrival Settlement Services."

29 Atlin and Mehboob, "COVID-19 and the Economic Well-Being of Recent Migrants to Canada"; Anderssen, "Crowded Housing, Tenuous Jobs, and Starting Over in the Midst of a Pandemic Raise Risk of Mental-Health Issues for Immigrants and Refugees."

30 Banerjee and Phan, "Licensing Requirements and Occupational Mobility Among Highly Skilled New Immigrants in Canada."

Building on regional attraction and retention

Retention is critical for long-term success of the regional distribution of immigrants. It has been challenging to attract and retain newcomers across regions like Atlantic Canada, according to Century Initiative's *National Scorecard*.³¹ Accordingly, the Canadian government is experimenting with different selection and settlement approaches, including the Atlantic Immigration Pilot and the Rural and Northern Immigration Pilot.

Insights and lessons from these pilot programs will be critical in formulating the right policies. For instance, the early outcome of the Atlantic Immigration Pilot, where deliberate settlement planning and employer engagement are key features, points to higher levels of retention than with other similar programs.³² The Canadian government has committed to transforming this pilot into a permanent program.³³

It is not only a question of matching labour supply (immigrants) and demand (jobs). Immigrants' decisions to stay or leave small communities are influenced by non-economic factors as well, such as educational opportunities for their children or the quality of life.³⁴ Inclusive communities perform better in retaining immigrants and attracting immigrants from other Canadian cities and towns.

31 Century Initiative, *National Scorecard*.

32 IRCC, "Evaluation of the Atlantic Immigration Pilot."

33 IRCC, "Atlantic Immigration Pilot."

34 Akbari, "Immigration in Nova Scotia: Who Comes, Who Stays, Who Leaves and Why."

Strategies to manage growth well

Robust policies surrounding settlement are key, but they must be accompanied by strategies to manage growth well. Growth of immigration is key to Canada's long-term economic prosperity. To ensure the benefits of growth are maximized and broadly shared by all Canadians, the following areas must be addressed:

- **Infrastructure and sustainability:** As the population grows, Canada must make investments in infrastructure and support systems to ensure that all can succeed and to reduce the per capita carbon footprint in Canada.
- **Housing affordability:** Housing unaffordability is a major issue in many urban centres in Canada. There is a need for all levels of government to develop housing strategies that ensure population growth does not exacerbate issues of housing affordability.
- **Opportunities for Indigenous communities:** Immigration can and should be paired with efforts to increase opportunities and equity for Indigenous communities and to address existing socio-economic and infrastructure gaps. This is vital to Canada's success. Increased immigration must not be a continuation of colonization, but a new path that distributes the benefits of living in Canada for all.



Role of employers

Employers benefit from a diverse talent pool. They thus share a responsibility to build more inclusive workplaces that welcome and nurture immigrant talent. They need to address workplace discrimination as well as biases in hiring and performance assessment that negatively affect immigrant employment, earnings, and career trajectories.³⁵ This requires intentional action, as discrimination is complex and takes many forms, including employers discounting the value of international work experience and qualifications.³⁶ Closing the earnings and employment gaps between immigrants and people born in Canada could add up to \$50 billion to the GDP per year.³⁷

Immigration, Refugees and Citizenship Canada (IRCC) annually awards select employers for helping to alleviate barriers to newcomer employment.³⁸ However, progress varies across employers and sectors. Sectors such as professional, scientific, and technical services as well as finance and insurance employ many immigrants but, even then, finding employment and career advancement opportunities that match immigrant skill sets remains a work in progress.³⁹ These are essential to fully utilizing the robust talent that Canada attracts through its immigration system.

Recommendations: Unlocking the full economic potential of immigration

The federal government's Immigration Levels Plan is updated annually. This year, there is a clear policy choice—whether Canada should return to pre-COVID immigration levels or use the 2021–23 targets as a new base from which to grow. Immigration remains key to Canada's future prosperity. Building on COVID-period immigration levels will support GDP growth, public revenues, and the worker-to-retiree ratio. Spreading these benefits requires innovative policy choices, from advancing regionalization to welcoming immigrants with different skill levels.

Canada can unlock the full economic potential of immigration and keep public trust high in the immigration system through the following actions:

1. **Continue building on COVID-period immigration levels through annual multi-year planning:** The federal government should implement immigration levels reflected in the growth scenario to realize gains in GDP, public revenues, and a better worker-to-retiree ratio. The federal government should communicate the benefits of immigration to the public to ensure that these are understood by Canadians.

35 Ng and Gagnon, *Employment Gaps and Underemployment for Racialized Groups and Immigrants in Canada: Current Findings and Future Directions*.

36 Ontario Human Rights Commission, "Policy on Removing the 'Canadian Experience' Barrier."

37 Agopsowicz and Billy-Ochieng, "Untapped Potential: Canada Needs to Close Its Immigrant Wage Gap."

38 IRCC, "IRCC 2020 Employer Awards for Newcomer Employment."

39 TRIEC, *Building a Corporate Ladder for All*.

2. **Build on leading practices to encourage geographic distribution of new immigrants across Canada:** The federal government, as well as the provinces and territories, should continue to share leading practices, as well as test and evaluate new initiatives to attract and retain immigrants in smaller communities so that those communities also benefit from increased immigration. Early research suggests that fostering welcoming communities, adopting mandatory assessment for newcomers' settlement needs, matching immigrant selection with local labour needs, and engaging local employers in settlement may boost retention rates in non-traditional destinations.
3. **Leverage immigration to fill the persistent need for workers with different skill levels:** Existing skills gaps underline Canada's needs for immigrants across the skill spectrum. Eligibility for permanent residency should reflect this reality beyond the pandemic.
4. **Continue to innovate in attracting, selecting, and retaining entrepreneurs and top talent:** Clear and accessible pathways to permanent residency will continue to be one of Canada's strategic assets in attracting and settling entrepreneurs and top talent. However, to stay competitive, Canada must ensure a strong business environment to start, run, and grow a business and to advertise its opportunities abroad.
5. **Study the impact of admitting more immigrants with Canadian experience:** The COVID cohort includes many immigrants who may not have qualified for Express Entry⁴⁰ in previous years but have more Canadian experience. Studying the outcomes of this cohort will provide evidence whether Canadian experience improves immigrants' labour market outcomes in the short and long term.
6. **Provide impactful and innovative settlement services and timely credential recognition:** Effective and accessible settlement services drive a more rapid transition to meaningful and skills-commensurate employment upon arrival. The government needs to further streamline and ease the recognition process of international credentials. These steps would mean higher immigrant contributions to GDP and public revenues and would improve GDP per capita.
7. **Engage employers in the advancement of workplace inclusion:** Employers must address workplace discrimination and biases that hold immigrants back in the labour market. Inclusive workplaces are critical for immigrants to access opportunities that are commensurate with their education and skill set and to contribute fully to the economy.
8. **Implement user-experience design perspective across the immigration system:** Information about eligibility criteria and processing timelines needs to be transparent so the immigration process itself does not deter immigration. In particular, the government should bring together in one place information on all immigration programs at the federal, provincial, and territorial levels so prospective immigrants can easily understand their options.

40 Express Entry is a system for processing applications for permanent residency by qualifying skilled workers within the country or abroad. The goal is to process all applications within six months or fewer. Applications to major economic immigration programs at the federal level (Federal Skilled Worker Program, Federal Skilled Trades Program, and the Canadian Experience Class) are accepted and processed through Express Entry.

Appendix A

Methodology

The findings in this impact paper were developed through a review of academic and grey literature.

Our economic model makes various assumptions about Canada's immigrant intake, composition, labour force, wage characteristics, and demographics over the forecast period of 2021–40. These assumptions are similar to The Conference Board of Canada's previous work on immigration.¹

Our model draws on Statistics Canada data on the labour force and wage characteristics of working-age immigrants (i.e., 15 and over).² The model also draws assumptions about retention rates from a custom IRCC dataset. We used these data to benchmark labour force characteristics and the wage evolution of immigrants against the national average. The model also distinguishes among the three immigration classes (economic, family, and refugee) and the streams within the classes since they each have different labour market outcomes. We used the Conference Board's national and demographic models in addition to the data outlined above to forecast the economic outcomes and contributions of immigrants across two scenarios:

- **Growth scenario:** In 2020, Century Initiative commissioned the Conference Board to develop population projection scenarios on immigration levels that would be needed to grow Canada's population to 100 million by 2100. Based on the growth scenario developed by CBoC for Century Initiative, and assuming that targets are met in Canada's 2021–23 Immigration Levels Plan, reaching 100 million people by 2100 would require increasing immigration by 15,000 additional permanent residents in 2024, 2025, and 2026. After 2026, immigration would be held constant at 1.14 per cent of the population. This growth scenario assumes that Canada will increase its birth rate by roughly 0.1 children per woman over the next decade to reach a target of 100 million Canadians in 2100. This would mean an overall increase from 1.5 to 1.6 children per woman over 10 years (which is the 2018 OECD average fertility rate).
- **Return scenario:** The return scenario assumes Canada meets the targets in the 2021–23 Immigration Levels Plan and then lowers immigration levels in 2024 by 50,000. From that lower 2024 baseline, it increases immigration by 1 per cent of the previous year's immigration levels each year thereafter. In this scenario, we assume that Canada's fertility rate is a moving average based on the previous two years of data over the forecast period.

1 Rose and Clarke, "Counting on Immigration: Assessing COVID-19's Impact and Planning for the Future."

2 Statistics Canada, Table 98-400-X2016204, "Admission Category and Applicant Type (7)."

Building on COVID-Period Immigration Levels
The Economic Case

Aside from the fertility assumptions, the sole difference between the inputs into the two scenarios is the number of immigrants. For these scenarios, we assumed a constant immigrant composition for the entire forecast: 58.33 per cent for the economic class, 26.33 per cent for the family class, and 15.33 per cent for the refugee class. This is based on Canada's immigrant composition over the past two decades. We assume the composition to be constant over the forecast period.

Our demographic assumptions are based on recent historical trends reported by Statistics Canada. Death rates are held at historical trends, by age and gender. Our assumption regarding annual emigration as a share of the population is based on historic emigration rates.

We draw from the most recent Statistics Canada census data, which contain employment data based on immigrant landing cohorts (i.e., those who arrived in Canada during the 2011–16, 2006–10, 2001–05, and 1991–2000 periods). We incorporate the average trajectory of immigrant employment rates (based on their length of time in Canada) into our methodology.

The employment rates for economic class immigrants (which we weight based on our immigrant composition assumption) are 66.47 per cent for those who have resided in Canada for fewer than five years, 70.93 per cent for those who have lived in Canada for between five and 10 years, 73.14 per cent for those who have lived in Canada between 11 and 15 years, and 72.07 per cent for those who have lived in Canada for over 15 years. We have adopted these data into our methodology by assuming that immigrants who arrive in Canada will see their employment rates follow a similar trajectory. For example, we assume that economic class immigrants who arrive in Canada between 2017 and 2022 will have the same employment rate as their counterparts who have been in Canada for under five years (66.47 per cent), and that it will increase at a similar rate over 2023–32 and 2033–40. (These intervals are based on the most recent census data intervals highlighted above.)

We use the same employment rate methodology for the family and refugee classes, that is, we draw on recent census data to project the employment characteristics of these classes over a 20-year period since our forecast period is over the same length of time (2020–40). Hence, we assume that employment rates for family class immigrants are 49.6 per cent for those who have resided in Canada for fewer than five years, 60.3 per cent for those who have lived in Canada between five and 10 years, 59.1 per cent for those who have lived in Canada between 11 and 15 years, and 62.5 per cent for those who have lived in Canada for over 15 years. We also assume that employment rates for refugee class immigrants are 39.4 per cent for those who have resided in Canada for fewer than five years, 56.3 per cent for those who have lived in Canada between five and 10 years, 61.6 per cent for those who have lived in Canada between 11 and 15 years, and 68 per cent for those who have lived in Canada for over 15 years.

When we weigh the three immigrant classes according to Canada's immigrant composition over our forecast period, the overall immigrant employment rates are 57.88 per cent for those who have resided in Canada for fewer than five years, 65.89 per cent for those who have lived in Canada between five and 10 years, 67.67 per cent for those who have lived in Canada between 11 and 15 years, and 68.93 per cent for those who have lived in Canada over 15 years. Immigrants have high employment rates compared with the rest of Canada's working-age population since most immigrants arrive in Canada during their prime working years, which is especially the case for the main admissions group—the economic class.

Using the most recent Statistics Canada data, we compare the wages of employed immigrants who landed in Canada between 1991 and 2016 with the average wages of those employed in Canada. Immigrants rarely achieve wage parity with the Canadian average, and their relative wages vary significantly depending on their entry stream. Principal applicants under the economic class (federal and provincial nominees) tend to reach the average Canadian wage within five years

of landing and then earn higher-than-average wages in subsequent post-landing years. This is because they are screened under Canada's merit-based system and, hence, have a much higher likelihood of faring well in the Canadian economy than immigrants arriving under all other streams.

Spouses and dependants of principal applicants earn well below the average Canadian wage. For instance, spouses and dependants of those who came to Canada through the Federal Skilled Worker Program who are in the labour force earn about 59.5 per cent of the average wage even a decade after arriving. Even after 23 years, they earn 93.93 per cent of the average Canadian wage. Immigrants who arrive under the family class earn 63.56 per cent of the average wage a decade after arriving. After 23 years, they earn about 80.15 per cent of the average wage. The refugee class has the lowest earnings among immigrants since they are admitted to Canada solely on their need for humanitarian assistance. Their earnings reach 46.9 per cent of the average wage a decade after landing and about 74.72 per cent after 23 years.

To calculate our results for immigrant income, we weigh the annual evolution of immigrant wages over this period by entry class. We stagger immigrant earnings based on the year they land in Canada. This means only a fraction of immigrants in our forecast achieve their estimated peak earnings (i.e., those who land during the early years of our forecast period). When we weigh all classes as outlined above, immigrants earn just over 86.69 per cent of the average Canadian wage after 23 years.

Limitations of our assumptions

The limitations of our assumptions include the following:

- We do not assume that immigrant wages and employment rates improve despite recent policy reforms aimed at enhancing the labour market performance of newcomers. Newcomer wages may also rise, given the increasing demand for immigrants to fill labour shortages created by an aging population. Immigrant employment rates and wages were also weighed down by the 2008–09 recession, which makes our forecast somewhat conservative. These factors mean that we may be understating the economic benefits of immigration over our forecast period.
- Conversely, we assume that immigrant wages and employment rates do not deteriorate, which is also possible if the challenges to labour market integration commonly faced by immigrants are not adequately addressed. This would reduce the economic benefits of immigration.
- We do not account for the costs of higher immigration levels in key areas such as settlement services, education, and infrastructure. The higher costs will likely be offset by the contribution of immigrants to the economy (i.e., paying taxes and stimulating demand).
- Productivity of the Canadian population is held constant, meaning the model will not account for any impact of immigrants on wages. Overall, immigrants may increase wages slightly in Canada.³ Therefore, the model would underestimate the economic benefits of immigration over our forecast period.



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Appendix B

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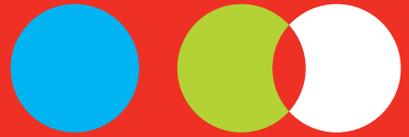
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