

5 Increase immigration inflows to build the future labour force Canada needs

To offset Canada's aging population and expand the country's economic capacity, the federal government should set an annual target for new arrivals equal to one per cent of the country's population, starting in 2021.

Canada has always benefited from the energy, skills, ideas and entrepreneurial spirit that newcomers bring to this country. The case for higher levels of immigration is especially compelling now given Canada's low birth rate and aging population.

A modest increase in immigration levels would offset the impact of an aging population and boost economic growth

In 2012, the ratio of working-age Canadians (ages 15 to 64) to seniors (65 and older) was 4.2 to one. Federal government projections put that ratio at two to one by 2036. This is one of the fastest anticipated rates of increase in the old-age dependency ratio in the industrialized world, and will push the ratio of retirees to workers above the OECD average by 2030.

As in other advanced economies, demographic change will act as a drag on economic growth. It will make it harder for employers to find the workers they need to expand and grow, and it will force governments to consider hiking income tax rates to generate the revenues necessary to fund health care and elderly benefit programs.

Three years ago, the Advisory Council on Economic Growth recommended that Canada raise annual immigration targets from 300,000 people in 2016 to 450,000 in 2021, a level it suggested would be "sufficient to partially offset the fiscal impacts of an aging population, without overwhelming the system's capacity for social and economic integration". The government instead opted for much slower growth, to 350,000 newcomers in 2021. That number is equal to 0.92 per cent of Canada's population, compared to 0.83 per cent in 2016.

We think Canada can do better, increasing the annual immigration level to one per cent of the population by 2030 and then maintaining that rate of intake over the following decade. A recent analysis by the Conference Board of Canada concluded that such an approach would add 5.3 million workers to Canada's labour force between 2018 and 2040 and account for roughly one-third of annual economic growth over the period. It would also reduce the average cost per working Canadian for healthcare and elderly benefits.

Just as important as the number of immigrants is the composition of each year's admissions by immigration category. In 2017, the most recent year for which details are available, 56 per cent of permanent resident admissions were in the economic class, meaning people who were selected for their skills and ability to contribute to Canada's economy.

The government has suggested raising the share of economic immigrants over time to 60 per cent the total annual intake, but here again we believe Canada should aim higher. We think Ottawa should adopt the approach recommended by the Advisory Council: it should maintain at existing levels the number of annual newcomers meeting social objectives or other criteria, while steadily increasing the number selected on the basis of economic factors. In other words, all of the growth in immigration between now and 2040 should be in the economic categories, including skilled workers, business immigrants, and individuals nominated by provincial and territorial governments to fill specific localized skills gaps.

Overall, Canada performs well when it comes to ensuring that immigrants are able to find employment and contribute their talents to the economy.

In 2017, our country ranked first among its peers based on the proportion of foreign-born workers that are employed: 73 per cent compared to the OECD average of 64 per cent. The unemployment rate for immigrants aged 25–54 that year was 6.4 per cent, the lowest level since Statistics Canada began keeping records in 2006.

Nevertheless, more can and should be done to help newcomers resettle successfully. A 2016 report by the Conference Board of Canada estimated that 844,000 Canadians—roughly two-thirds of them immigrants—are unemployed or underemployed because their credentials have not been properly recognized. Closing the recognition gap could potentially boost the annual incomes of those individuals by an average of \$15,000 to \$20,000 per person, the report said.

We therefore recommend that governments and business work together to improve the recognition of foreign credentials by making the process fairer, faster and more transparent. As Alberta Premier Jason Kenney has pointed out, it is immoral and unethical to encourage skilled immigrants to come to Canada only to face underemployment because they are not permitted to work in the trades or professions for which they are trained.

What others are saying

“The demographic situation is a real problem. Populations are declining everywhere in Quebec. Without immigration, even Montreal will shrink.”

– **Roundtable participant in Montreal, June 18, 2019**

“The world is an unstable place and now is Canada's chance to get our unfair share of talent. We need to lean into our advantage, both to ensure our economic growth and survival but also to fulfill the promise we have made to immigrants.”

– **Roundtable participant in Toronto, June 4, 2019**

“While productivity gains are badly needed in light of Canada's weak productivity performance, Canada will still need more workers to achieve its full economic potential.”

– **Conference Board of Canada, “Can't Go it Alone: Immigration Is Key to Canada's Growth Strategy”**

“[W]ithout making significant changes to counteract current demographic trends in Canada, the number of working-age Canadians for every senior is expected to drop from 4.2 in 2015 to 2.7 in 2030, adding significant fiscal strain to the system and threatening the health of the Canadian economy and social safety net for Canadians.”

– **Advisory Council on Economic Growth, “Attracting the Talent Canada Needs Through Immigration”, October 20, 2016**