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The background of the page features a series of overlapping, wavy, translucent red shapes that create a sense of movement and depth. These shapes are set against a white background, with the red areas appearing as if they are flowing or undulating. The overall effect is modern and dynamic.

# **ATTRACTING THE TALENT CANADA NEEDS THROUGH IMMIGRATION**

ADVISORY COUNCIL ON ECONOMIC GROWTH  
October 20, 2016

# Canada should scale top talent immigration and create conditions for successful economic integration

## Recommendations

### 1 Gradually ramp up permanent immigration to 450K per year over the next 5 years

- Increase permanent economic immigration by 150K by 2021, translating to 75K additional principal applicants per year, and about 75K of their family members
- Focus on top business talent and international students in industries and roles where Canadian skill shortages exist



### 2 Facilitate entry for top talent

- Expand LMIA exemptions for senior executive roles and highly specialized functional roles with skill set lacking in Canada
- Target 2 week processing times for temporary Global Talent work permits
- Relax employer restrictions on talent management once work permit is in place



### 3 Qualify more international students for permanent residency

- Increase Express Entry points allocation for human capital characteristics (e.g., education, age, skills, language, work experience)
- Soften Labour Market Impact Assessment requirements



### 4 Improve national accreditation standards

- Support development of national standards among occupational bodies
- Explore ways to offer immigrants opportunity to re-train or up-skill to cover the portion of their accreditations still unrecognized



Why an increase of 150K?  
Why ramped up over 5 years?

#### Demographic needs

Boosting economic immigration by 150K would reduce the old age dependency ratio by 1.6% below 2030 forecast (from 37.3% to 35.7%), easing fiscal strain on the system



#### Social integration capacity

Settlement services must be allowed time to expand capacity (e.g., a new visa processing centre, an updated IT platform, recruitment and training of border services agents)



#### Positive impact for Canadians

Effective integration of skilled immigrants results in more innovative companies started and scaled, more jobs for Canadians, and an increase in the standard of living of Canadians



#### Labour market dynamics

Would add 0.3 percentage points to population growth in Canada, bringing annual population growth to 1.2 per cent, moderate compared with other advanced economies



## Introduction

Canada's population is aging, and just as in other advanced economies, this demographic change will limit economic growth. An aging population limits growth by reducing the number of workers contributing to economic output. At the same time, an aging population burdens social systems that depend on wage-based contributions because there are fewer wage earners generating the tax revenues necessary for health care and elderly benefit programs, and there are more beneficiaries to these programs.

Over the past fifty years, annual GDP growth in Canada averaged 3.1 per cent, and per capita GDP growth averaged 1.9 per cent. Past GDP growth was driven largely by employment growth as opposed to increases in productivity. Looking forward, future employment growth will be constrained as a result of Canada's aging workforce and slowing population growth.

Without policy action to offset the impact of these demographic changes, annual GDP growth over the next 50 years is expected to drop by more than half of historical levels to 1.5 per cent, and per capita GDP growth is forecasted to drop to 0.8 per cent. In addition, without 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.<sup>1</sup> (Note that additional initiatives to offset these demographic trends include up-skilling Canadians for future success as the work landscape rapidly evolves and increasing workforce participation for all Canadians, both of which are being addressed through forthcoming recommendations of this Economic Advisory Council.)

In addition to this demographic challenge, Canadian firms struggle to find the senior and specialized talent they say they need to scale their operations quickly and competitively. This talent gap is particularly acute for firms contributing to and investing in technology-based innovation and digital automation. Tech executives, for example, cite the lack of experienced business talent and key functional expertise as the largest obstacle for Canadian tech companies looking to expand.<sup>2</sup>

Canada's immigration policy needs to be updated and improved to address these two challenges. Four specific actions should be taken by the Government of Canada to boost economic growth and increase prosperity for all Canadians.

1. **Increase annual permanent economic immigration from 300,000 to 450,000 over 5 years** (translating to an increase of about 75K principal applicants and about 75K of their family members) to expand workforce growth and counter the drag from slowing population growth and aging
2. **Facilitate entry for senior and specialized talent by streamlining permanent and temporary entry programs to be faster and less burdensome on employers** to help give high-growth and innovative companies the managerial capacity and skills they need to scale and be globally competitive
3. **Rethink Express Entry points allocations to qualify more international students** studying in Canada for permanent residency so that firms can tap into an already-integrated pool of young, educated talent

**4. Improve national accreditation standards** to create the conditions for all immigrants to Canada to reach their economic potential, to the benefit of all Canadians

These recommendations will address current drags on growth from an aging population and specialized talent shortages, but they are only part of the answer. For immigration to fully offset the impact of Canada's impending demographic squeeze, annual permanent economic immigration would need to nearly double from the current level of about 300,000 per year – a much more dramatic increase than the 50 percent increase recommended here.<sup>3</sup> Further, not all talent gaps can or should be addressed through immigration. Fast-growing firms may face no alternative given the immediacy of their talent requirements, but over the longer term both governments and employers should ensure that domestic training and education programs are responsive to emerging labour market needs.

**Canada's immigration imperative**

The benefits to Canada from increasing immigration are many. In addition to the demographic impact of making elderly benefits more sustainable by sharing elderly benefit and healthcare costs across a larger base of working-age residents, an increased immigrant population has positive implications for business and job creation for Canadians through entrepreneurship and innovation, international trade, and if done right, can raise living standards for all Canadians.

A recent Conference Board of Canada report noted that Canada's working age population (residents aged 15 to 64 years old) is shrinking, while the share of the population over the age of 64 is expected to rise from 16 percent in 2015 to 23 percent in 2030.<sup>4</sup> Attracting more young foreign talent to Canada – by focusing on retaining international students, for example – will help to partially offset the fiscal impact of these demographic trends.

To accelerate economic growth, Canada needs more highly productive businesses that will help to diversify our sources of growth. Historically, established immigrants have been more likely to start and own knowledge businesses than the Canadian-born.<sup>5</sup> Qualified immigrants can bring critical skills that will help small Canadian companies scale into large, established enterprises that create high-quality jobs for all Canadians.

A larger population will drive demand for goods and services, contributing to economic growth through increased consumption over the near term and increases in employment over the longer term. An increase in overall economic output (GDP) is a positive thing for Canada, but only if the expansion translates to a rise in living standards for the average Canadian (GDP per capita). This goal can be achieved by focusing the recommended increase in immigration flows among educated and highly-skilled workers, and those with specialized skill sets lacking in Canada. Though a lag should be expected between the arrival of new immigrants and a positive impact on GDP per capita, the 150,000-person increase in annual immigration will be targeted towards individuals with top skills currently lacking in the Canadian workforce, which we can reasonably expect to have a shorter lag than a non-economic or less targeted immigration flow.

In addition, research shows that an increase in the size of the immigrant population from any particular source country results in increased bilateral trade between the immigrant source country and the destination country.<sup>6</sup> Canada can benefit from this increased trade opportunity attributable to immigration flows.

## The Bold Idea—Recommendations

### Recommendation 1: Increase economic immigration

Canada should increase annual economic immigration targets by 150,000 over the next 5 years, bringing total annual permanent immigration from an expected 300,000 in 2016 to 450,000 per year by 2021. Based on subject matter consultations, a target increase of this scale is sufficient to partially offset the fiscal impacts of an aging population, without overwhelming the system's capacity for social and economic integration.

Assuming historical ratios, a targeted increase of economic immigrants of this scale implies approximately 75,000 additional principal economic applicants (those qualifying through the Express Entry system as result of a job offer, provincial or territorial nomination, or perceived skill through a review of human capital characteristics) plus about 75,000 of their family members per year. An increase in the economic stream is not intended to be offset by decreases in other streams, including family reunification, refugees, or humanitarian, but would be a net addition to existing flows.

Increasing immigration flows by 150,000 per year would add 0.3 percentage points to population growth in Canada, bringing annual population growth to 1.2 percent. This proposed increase in population growth is moderate when compared with immigration policy trends in other advanced economies. For example, Luxembourg's level of immigration in 2014 was equal to 3.9 per cent of its population, Switzerland's was 1.9 per cent, New Zealand's was 1.2 per cent, and both Ireland and Norway added 1.1 per cent to their populations through immigration that same year.<sup>7</sup> Immigration levels were equal to 1.0 per cent of Australia's population in 2014, and more than two thirds of new immigrants entered through the skilled stream.<sup>8</sup> The need to supplement slowing natural population growth with immigration is not unique to Canada; many other advanced economies are facing similar pressures and are tapping into global talent pools to sustain growth.

The boost in population growth from increasing Canada's annual immigration levels by 150,000 would reduce the old age dependency ratio (the ratio of seniors to working-age Canadians) by 1.6 percentage points below where it is projected to be in 2030 (specifically, from the forecasted ratio of 37.3 percent to 35.7 percent), reducing fiscal strain on the system and the need for tax increases or benefit cuts.

Canada has a history of accomplishing large increases in annual immigration levels when the need presents itself. For example, intake grew from 271,000 in 2015 to an estimated 300,000 in 2016 in response to the global Syrian refugee crisis. However, understanding that the system has been operating in an "all hands on deck" mode to accommodate this increase, the Advisory Council recommends that the government take a gradual approach to scaling annual immigration to the recommended 450,000 level over the next 5 years.

The gradual increase buys time to expand capacity of the immigration system by, for example, adding a new visa processing center to address backlogs, updating the department's outdated IT system to improve efficiency, and increasing recruitment and training for border agents and settlement services personnel.<sup>9</sup> We estimate that required capacity can be fully operational by 2019, suggesting the need for more moderate annual increases until then.

Public opinion to date in Canada has largely been in favour of immigration, but policy makers must be aware of limits. Public support is likely to wane if integration of new immigrants is not managed effectively.

**Exhibit 1      Gradual ramp-up of permanent immigration levels in Canada**

Year	Total annual immigration	Increase from year previous	Increase from 2016 level
2015	271,000	11,000	
2016	300,000	29,000	
2017	315,000	15,000	15,000
2018	330,000	15,000	30,000
2019	360,000	30,000	60,000
2020	405,000	45,000	105,000
2021	450,000	45,000	150,000

The recommended increase of 150,000 permanent economic immigrants is not expected to strain public education, transportation, or healthcare systems over the course of the 5 year ramp up period, though it should be expected that higher population growth will eventually require increased investments in public services and infrastructure by all levels of government.

For increased economic immigration to add to average living standards, new entrants should have the qualities that determine successful economic integration. Education, age, skills, and language proficiency are all important determinants. With the ultimate goal of increasing *economic* growth in Canada, the recommendation is for a targeted increase in permanent economic immigration specifically. The subsequent two sections outline ways to accomplish such a targeted increase – first, among top talent and specialized roles, and second, among young and educated international students.

**Recommendation 2: Facilitate entry for top talent and high-demand roles**

Canada has a strong culture of entrepreneurship, ranking 2nd among the Group of Seven in strength of entrepreneurship climate.<sup>10</sup> However, this country faces restrictive talent gaps which inhibit small and medium sized companies from successfully scaling, cause some companies to move their headquarters out of Canada, and prevent larger companies from innovating in certain areas where talent in Canada is lacking. For example, three quarters of owners of high-growth firms in Canada say the most important impediment to growth is a lack of managerial talent.<sup>11</sup>

To fill time-sensitive skill gaps, entrepreneurs and business leaders look abroad for qualified talent. Under the permanent immigration system, demands on employers are burdensome and create conditions of uncertainty for both the employer and the talent itself. Under the current temporary system, LMIA restrictions, when required, are too onerous and time-consuming, and processing times to receive a work permit are too long to effectively address the immediate skills needs of many high-growth Canadian companies. Streamlining both the permanent and temporary entry programs to be faster, more transparent, and less onerous on the sponsoring employer would address one of the key reasons that more Canadian businesses are unable to scale successfully, and would have a positive impact on economic growth.

**Permanent stream:** current process requires an employer looking to acquire foreign talent through the Express Entry program to complete a Labour Market Impact Assessment (LMIA), a government review to ensure that no Canadian was overlooked for the job at hand. The LMIA is a lengthy process and can be experienced by employers as somewhat arbitrary or even as a strong disincentive in hiring foreign talent. To receive a positive assessment, an employer must prove that the job they are looking to fill with a foreign hire was posted on multiple job sites for several weeks and that all submitted Canadian resumes were reviewed and adequately considered. Canada should review the instances in which an LMIA is required to receive points for arranged employment through Express Entry.

**Temporary stream:** the burden of the LMIA process for the Temporary Foreign Worker Program (TFWP) can be onerous for quickly growing or innovating Canadian companies. Going through the process of posting for the position, as outlined above, is time consuming, which can have a negative impact on companies as they aren't able to fill roles and scale as quickly as they need to. Once hired, companies are required to complete subsequent LMIA's before giving raises or promotions to the foreign hire, which can cause talented employees to leave. The long term pain of increasing salaries or job titles can also lead firms to front-load compensation or titles to foreign hires, causing imbalances and general discontent among employees. Given this, requirements should be relaxed for categories of workers where many companies are experiencing immediate need hindering their growth. Canada should expand full LMIA exemptions for categories of workers companies need to scale quickly and should relax restrictions on employers regarding talent management once foreign talent has been hired in Canada (through the International Mobility Program that does not require an LMIA, or other means).

As a first step we recommend that the federal government consult regularly with HR executives from companies in industries with the greatest observed need for talent that is currently lacking in Canada. Regular discussions with such a group would help to identify categories of senior talent and specific mid-level roles for which there is a shortage in the domestic Canadian labour market. For example, tech companies in Canada have identified immediate talent shortages in areas such as machine learning, data science, product management, user experience design, sales and digital marketing. In infrastructure development and manufacturing, expert talent is needed in software engineering and instrumentation technology.

Further, timely labour market information generated and aggregated through the Skills Innovation Council, the creation of which is to be recommended by the Economic Advisory Council later this year, can be leveraged to help identify hiring needs that might only be met through immigration.

Finally, Immigration, Refugees, and Citizenship Canada (IRCC) targets processing times for Global Talent work permit applications submitted outside of Canada at two months and four months for those submitted within Canada. However, numerous high growth or innovative companies in Canada cite lags of five to nine months between the time they begin the *overall* process, and the time when the hired employee is permitted to start working in Canada. This has a detrimental impact on the operations and trajectory of quickly growing companies. Applications for temporary Global Talent work permits for which there is a Canadian business sponsor should be processed in two weeks. In addition, the government should provide more consistency in decision-making and be more transparent about the permitting process with the employers and individuals using the system.



### Recommendation 3: Rethink Express Entry point allocations to qualify more international students for permanent residency

International students meet the general preconditions for proven successful economic integration – youth, language proficiency, and education. They offer a ready source of skilled talent, and generally require fewer or less intensive settlement services upon receipt of permanent residency. After years of studying in Canada, they tend to have strong language skills and be acclimatized to Canadian society. The size of the international student pool in Canada is significant and is growing quickly as a result of efforts from post-secondary institutions to make Canada a desirable place to study. In 2015, about 218,000 foreign students were enrolled in Canadian universities and colleges, accounting for about 11 percent of enrolment in postsecondary schools nationally.<sup>12</sup> A number of other countries outpace Canada in share of students coming from abroad – Australia, Great Britain, New Zealand and Switzerland all receive over 15 per cent of their student population from abroad.<sup>13</sup>

However, an uncertain or burdensome path to permanent residency dissuades many international students from applying after graduation. Nearly half—49 percent—of international students do not plan to apply for permanent residency.<sup>14</sup> While government has an important role to play in creating a straight-forward, efficient and transparent immigration process that attracts more international students to apply for residency, there is also an onus on employers to offer competitive opportunities and compensation that provide the incentive for foreign graduates to settle in Canada.

Among those who do apply for permanent residency, the majority do not score well enough through the current points system to qualify. The Express Entry program places more emphasis on job offer than on skills and other human capital characteristics. Specifically, Express Entry applications are rated on three criteria: 1) up to 600 points can be earned if a candidate has a job offer from an employer who has filed a positive LMIA (i.e., has found that no Canadian can do the job), 2) another 600 points can be earned based on human capital characteristics such as age, language, work experience, and education, and 3) a sponsorship by a provincial or territorial government may override a lack of job offer or a negative LMIA by awarding an additional 600 points. Students who do not have a job lined up or cannot obtain a sponsorship can have a difficult time qualifying for permanent residency through the Express Entry system; the median score for international students in 2015 was below the lowest invitation cut-off score to date.<sup>15</sup>

To enable more foreign students to remain in Canada and contribute to the country's growth, the government should reconsider how points are awarded for Express Entry. By placing more emphasis on human capital characteristics (such as age, education, language, or Canadian work experience), a greater number of highly skilled international students in Canada would qualify for permanent residence through the Express Entry program. Reform of the Express Entry points system to award more favourably those human capital characteristics that correlate with successful economic integration and performance of immigrants can help to attract skilled graduates from schools outside of Canada as well.

Canada can also loosen the rules requiring positive LMIAs for international students and recent graduates to enable students with high-demand and specialized skills to qualify. Finally, provinces and territories should maintain the ability to sponsor international student or other candidates to address regional labour market needs for highly-skilled individuals who can fill high-demand jobs where talent is lacking in Canada.

#### Recommendation 4: Improve national accreditation standards to help skilled immigrants gain appropriate employment

Employability is a critical factor in determining the successful economic integration of an immigrant to Canada. Without the ability to find work in line with their qualifications, immigrants can be constrained in their economic contribution to the economy, resulting in a loss not just for the individual but for the Canadian economy overall.

Anecdotal stories abound of skilled migrants arriving in Canada and, because of the failure of the Canadian system to recognize some foreign accreditations and degrees, taking low-skill jobs despite shortages of that particular type of skilled labour in Canada. Further, though Canadian immigrant settlement services include support to navigate the existing accreditation recognition process, the bottleneck is not an inability of immigrants to navigate the system, but rather an inability of the system, both governments and employers, to accommodate foreign qualifications, or to make reasonable options available to bridge divides between foreign and Canadian accreditation or education standards.

The Forum of Labour Market Ministers developed a Pan-Canadian Framework for the Assessment and Recognition of Foreign Qualifications in 2009. While this is important work and should be continued, only 15 to 20 per cent of new immigrants are employed in regulated occupations. For the remaining 80 to 85 per cent of new immigrants, employers act as the unofficial evaluator of foreign credentials.

To address this problem and create a smoother path to successful economic integration of new immigrants, the federal government should increase collaboration with employers, provinces and accreditation bodies to better understand how foreign degrees and certifications align with Canadian standards, now and over time as degree and certification programs evolve in Canada as well as in other countries. The government should explore ways to offer immigrants opportunities to retrain or up-skill to cover the portion of their accreditations or degrees still unrecognized by the Canadian system, rather than requiring the full degree or qualification to be re-earned. For example, the federal government could support refresher boot camps, Canadian cultural primers, and work with employers, provinces and post-secondary institutions to develop 'top-up' training programs. The Skills Innovation Council could be leveraged to help support innovative and efficient methods to deliver this type of program. Further, to enable immigrants to move easily between provinces, employers, professional and industry groups, academics, and provincial governments should increase efforts to work together to develop national standards for various occupations. Finally, the government should explore ways to help Canadian employers fairly assess the experience and education of applicants with foreign qualifications.

#### Potential impact

Increasing annual economic immigration by 150,000 per year would reduce the old age dependency ratio by at least 1.6 per cent – from 37.3% (the forecasted ratio) to 35.7% by 2030 assuming that the age distribution of the new immigrant pool follows that of today's working-age Canadians. Successfully retaining younger talent by focusing on international students would improve this ratio even further. This would have a material impact on the fiscal burden per working-age Canadian of supporting the costs of an aging population. In addition, facilitating the inflow of top talent will allow small and medium-sized enterprises to scale, better enable the creation of new high growth companies, and keep those high-growth companies in Canada. Enabling high growth firms to more efficiently scale in Canada will create more high quality jobs for all Canadians. Finally,

foreign talent with skills that are currently lacking in Canada can help train Canadian-born workers in these skill areas, raising the overall skill level in the Canadian labour force, which can help drive innovation and raise productivity overall.

### **What success looks like**

To gauge the success of the efforts outlined above over the next five to ten years, we would track the following specific metrics:

- Total number of new economic immigrants (monitoring the number of actual economic contributors versus dependents)
- Percentage increase of immigrants in high-demand and innovative professions where talent is lacking in Canada
- Number of international students who obtain permanent residency
- Dramatically reduced time for overall process in hiring temporary top talent, including shorter processing times for top talent temporary work permits

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- <sup>1</sup> *Population Projections for Canada (2013 to 2063), Provinces and Territories (2013 to 2038)*, Statistics Canada, 2015. For the purpose of this document, these population projections have been adjusted to reflect recent population estimates.
- <sup>2</sup> *Scaling success: tackling the management gap in Canada's technology sector*, Lazarides Institute for the Management of Technology Enterprises, Wilfrid Laurier University, March 2016.
- <sup>3</sup> Ragan, Christopher. *Canada's Looming Fiscal Squeeze*. The MacDonald Laurier Institute. March 2012.
- <sup>4</sup> Ades, Julie, Daniel Fields, Alicia Macdonald, and Matthew Stewart. *A Long-Term View of Canada's Changing Demographics: Are Higher Immigration Levels an Appropriate Response to Canada's Aging Population?* The Conference Board of Canada, October 2016.
- <sup>5</sup> Green, David, Huju Liu, Yuri Ostrovsky, and Garnett Picot. *Immigration, Business Ownership and Employment in Canada*. Statistics Canada. March 2016.
- <sup>6</sup> [Forthcoming] *People on the move: Immigration's impact on People's Economies*. McKinsey Global Institute. 2016.
- <sup>7</sup> International Migration Database, OECD. Accessed October 2016. <https://stats.oecd.org/Index.aspx?DataSetCode=MIG>.
- <sup>8</sup> Fact Sheet – Overview of Skilled Migration to Australia. <https://www.border.gov.au/about/corporate/information/fact-sheets/24overview-skilled>.
- <sup>9</sup> The recruitment and training of new border agents requires the longest lead time. After recruitment, agents must complete a 2.5 year training program to gain the skills currently required by the Canadian immigration system to process new immigrants at airports or other entry points.
- <sup>10</sup> *Driving Wealth Creation and Social Development in Canada*. Global Entrepreneurship Monitor. 2015.
- <sup>11</sup> *High-Impact Firms: Accelerating Canadian Competitiveness*. Business Development Canada. May 2015.
- <sup>12</sup> *Canada's Performance and Potential in International Education*. Canadian Bureau for International Education. 2015.
- <sup>13</sup> *Education at a Glance*. OECD Indicators. 2016.
- <sup>14</sup> *Canada's Performance and Potential in International Education*. Canadian Bureau for International Education. 2015.
- <sup>15</sup> *Express Entry Year-End Report 2015*. Statistics Canada.

## Appendix:

**Putting the 450K target into perspective**

This table assumes a gradual ramp up to 450K economic immigrants from 2017 through 2021, as outlined above, and a steady state of 450K economic immigrants from 2021-2030.

Exhibit 2	Scenario	450K	400K	350K
<b>Annual immigration levels</b>				
<i>number of persons</i>				
	Baseline (2016)	300,000	300,000	300,000
	Target (by 2030)	450,000	400,000	350,000
	Incremental annual increase	150,000	100,000	50,000
<b>Annual population growth</b>				
<i>%, year-over-year</i>				
	Baseline (2016)	0.90	0.90	0.90
	Impact of increase in immigration (by 2021)	0.27	0.18	0.09
	New annual population growth (2021–2030)	1.17	1.08	0.99
<b>Cumulative number of new residents</b>				
<i>number of persons</i>				
	Impact of increase in immigration (by 2030)	1.7M	1.2M	0.6M
<b>Old-age dependency ratio</b>				
<i>Percentage, number of elderly people as a share of working age people</i>				
	Baseline (forecasted old-age dependency ratio in 2030)	37.30	37.30	37.30
	Impact from increase in immigration	–1.56	–1.06	–0.53
	New old age-dependency ratio in 2030	35.74	36.24	36.77