

Intelligence MEMOS



From: Parisa Mahboubi and Mikal Skuterud
To: Marco Mendicino, Minister of Immigration, Refugees and Citizenship Canada
Date: March 9, 2021
Re: **AN ECONOMIC REALITY CHECK ON CANADIAN IMMIGRATION (PART I)**

COVID-19 travel restrictions hobbled Canada's immigrant admissions in 2020. In response last fall, the federal government revised its 2021 targets upwards, saying it was necessary for our economic recovery.

Showing its commitment to the ambitious target, on February 13 the government issued invitations to a record-breaking 27,332 applicants in its Canadian Experience Class (CEC) program, which targets applicants with Canadian work experience, and are therefore more likely to be living in Canada.

But to issue so many invitations, it was forced to drop its Comprehensive Ranking System cut-off score in its Express Entry system to an all-time low of 75, far below the previous record of 413. This strategy is analogous to a university doing away with entry standards to significantly boost enrolment. If history is an indicator, there is good reason for concern.

The primary objective of Canada's economic-class immigration programs is to leverage immigration policy to boost the economic well-being of Canadians. To do that, we need immigration inflows to raise GDP per capita, not simply increase the population.

To assess if we are achieving this objective, Canadian researchers examine earnings of new immigrants. Since workers' earnings comprise roughly two-thirds of GDP, we need new immigrants to earn more than the national average if we are to raise GDP per capita.

Unfortunately, the [evidence](#) is that Canada has historically struggled to achieve this objective, and continues to struggle. The hard reality is that we saw [a substantial deterioration](#) in the earnings of subsequent cohorts of new immigrants and an increase in their relative poverty rates from the early 80s to the early 2000s.

This prompted numerous reforms of skilled immigration policies since 2005, primarily directed at improving immigrant selection, including introducing pre-migration mandatory English/French language testing and education credential assessments. A key piece of the policy reform was the 2015 introduction of the Express Entry system.

Rather than admit applicants who have met the minimum requirements of one of Canada's economic-class programs on a first-come, first-served basis, the Express Entry system skims the cream of the applicant pool on a regular basis using a tool known as the Comprehensive Ranking System (CRS). The CRS assigns each applicant a score between zero and 1,200 using a set of criteria, including age, education, and work experience. The factors and their relative weightings were determined by [a statistical analysis](#) predicting immigrants' earnings during their first 10 years in Canada.

While there is evidence that these reforms have helped curtail the deterioration in immigrants' earnings, they continue to experience significant economic integration challenges. For example, a [recent Statistics Canada study](#) shows that international students who graduated in 2010-2012 earned considerably less than domestic graduates in their first five years after graduation.

Shortfalls of former international students are also evident when their earnings are compared to domestic graduates [with similar degrees in similar fields of study](#).

The economic challenges of Canadian university-educated immigrants are, in fact, exceptional. Whereas university-educated immigrants from India who settle in the United States [outperform](#) their US-born counterparts with similar education, the average earnings of Indian-born university-educated immigrants in Canada fall significantly below their Canadian-born counterparts. This reflects the continuing truth that US universities and salary premiums attract the world's best and brightest while Canada's relatively generous welfare state attracts migrants less sure of their talents.

Examining the 2016 earnings of recent immigrants admitted under an economic-class program, we find that CEC principal applicants had higher average earnings than the non-immigrant population. When we also include their spouses and dependants, their combined average earnings were only slightly lower than prime-age non-immigrants (Figure 1). This small difference reveals both the success of Canada's CEC program, but also the risk of forgoing CRS standards to reach immigration targets.

Immigration, Refugees and Citizenship Canada (IRCC) has held 170 Express Entry draws since January 2015. The median CRS cut-off score in past draws was 461 and has never dropped below 413. Lowering the standard to 75 means admitting immigrants who will experience more significant economic-integration challenges. Doing so during an economic crisis with high levels of joblessness seems ill advised.

In the government's defence, all 27,332 CEC applicants who received invitations in February's draw have at least one year of Canadian experience, and it is likely that a high percentage are currently employed, and in all likelihood many close to the front line during the pandemic. There are unquestionably compelling ethical reasons for providing these workers and their families with pathways to permanent residency.

But there is a risk in using economic-class programs to achieve humanitarian objectives; it compromises the ability of the Express Entry system to achieve its economic objectives.

The [Tinbergen Rule](#) says that for every policy target there should be at least one policy instrument. When there are fewer instruments than targets, the ability of policy to achieve its targets is compromised. Let us make sure that all our immigration programs do at least one thing well, instead of everything badly.

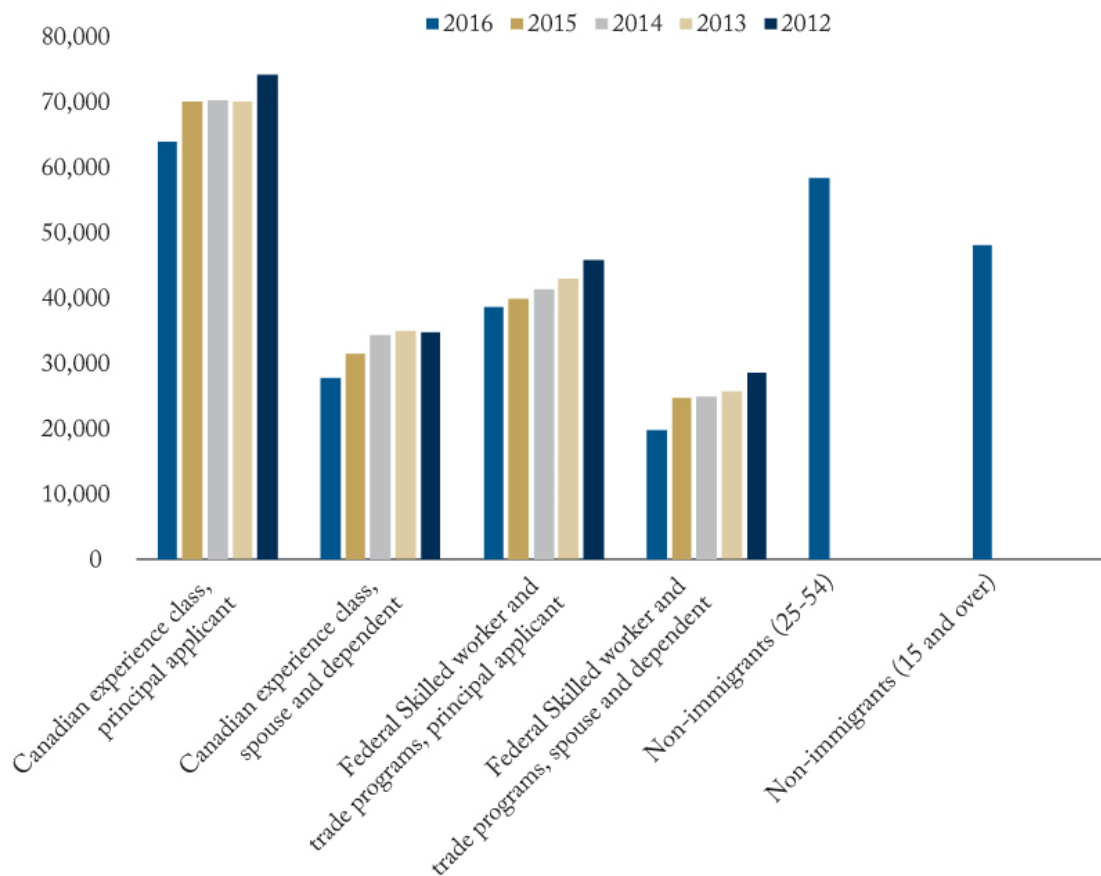
Tomorrow, we examine the potential consequences of increasing immigration during the crisis.

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Figure 1: Average wages, salaries and commissions in 2016 by Immigration Status and Program and Year of Admission



Source: Authors' calculations using Statistics Canada Table 43-10-0010-01 and 2016 Census PUMF.