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National Immigration Centre

Canada 2040.

No Immigration Versus More Immigration

REPORT MAY 2018

Canada 2040: No Immigration Versus More Immigration

Kareem El-Assal and Daniel Fields

Preface

Following the November 2017 announcement of Canada's 2018–2020 Immigration Levels Plan, this report forecasts the economic and fiscal impacts of gradually increasing immigration levels through to 2040. It also asks: What would happen to the economy if Canada shut its doors to immigrants completely? It then delineates between the contributions to economic growth of Canada's three immigration classes. The report concludes by taking a closer look at the economic impacts of the family class given its sizable role in total immigrant admissions.

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CONTENTS

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National Immigration Centre

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EXECUTIVE SUMMARY

Canada 2040: No Immigration Versus More Immigration

At a Glance

- A no-immigration world would result in weak economic growth and fiscal strain—a situation that would reduce the motivation for private investment. Productivity-enhancing investments would not fully compensate for the negative impacts of a shrinking workforce.
- Increasing annual immigration to 1 per cent of Canada's population by the early 2030s, when we forecast that immigration will account for 100 per cent of population growth, would support modest labour force and economic growth.
- Family class immigration has a role in supporting economic development and Canada has taken additional steps in recent years to ensure this class does not pose an undue economic burden. It is also important for Canada to boost the labour market outcomes of family class immigrants as it becomes more dependent on immigrants to support its economic growth.

The purpose of this report is to assess the economic implications of no immigration in Canada, and to quantify the impacts of gradually increasing immigration. We also assess the economic impacts of Canada's three immigrant admissions classes (economic, family, and refugee).

How Would Stopping Immigration Affect Canada's Economy?

A scenario in which Canada stops immigration completely is implausible given the country's need for immigrants to mitigate the negative consequences of its aging population and low birth rate. But, building this counterfactual scenario allows us to assess the current and future contributions of immigration to Canada's economic growth. This scenario would result in a shrinking labour force which would significantly constrain growth in the Canadian economy. Canada would likely need to increase tax rates to compensate for the dwindling number of taxpayers and would face significant difficulties funding key social services such as health care.

To help offset the negative economic and fiscal impacts of a shrinking labour force, Canada would need to rely more on productivity enhancing investments to substitute workers. However, to replicate the potential output it could otherwise achieve by having immigration add to labour force growth, Canada would need to see an increase in private and public investments to significantly lift productivity—a situation that is unlikely in a low-economic-growth and (potentially) higher-tax environment.

Family reunification should also be viewed as part of economic development policy.

The Case for Boosting Immigration to 1 Per Cent

Our forecasts suggest that bumping the immigration rate to 1 per cent of the population (up from 0.8 per cent in 2017) by the early 2030s would help mitigate the anticipated challenges of population aging and a low birth rate on the country's economic and fiscal standing. This scenario would yield an estimated average annual real GDP growth rate of 1.9 per cent through to 2040 (compared with 1.3 per cent annually if immigration was stopped). In recent decades, Canada's population has grown at a rate of about 1 per cent per year. At present, natural increase (births minus deaths) comprises an estimated 29 per cent of Canada's annual population growth. However, with Canada's natural increase expected to decline, we forecast that immigration's share of annual population growth will rise from about 71 per cent today to 100 per cent by 2034—when the number of deaths is forecast to exceed the number of births. Canada is already at a point where it is almost entirely dependent on immigration for its labour force growth. As such, based on current demographic trends, increasing the immigration rate to 1 per cent by the early 2030s will allow Canada to maintain its population growth rate of recent decades (1 per cent) and support modest labour force and economic growth over the long term.

The Economic Contributions of the Family Class

Unsurprisingly, the economic class accounts for most of immigration's contribution to economic growth given that its main purpose is to help address Canada's labour force needs, unlike the family and refugee classes, which exist for social and humanitarian reasons. Nonetheless, the family and refugee classes do contribute to the economy and, in particular, it is worth evaluating the family class through an economic lens given that it accounts for a large share of Canada's newcomer admissions. Our findings suggest that while Canada has prioritized economic class admissions since the mid-1990s to address its labour market needs, family reunification should also be viewed as part of economic development policy. Immigrant families fare well in relation to Canadian-born families in important economic metrics such as household income and homeownership—not to mention other benefits of family reunification, such as boosting immigrant retention rates, which is especially key to economic growth in Atlantic Canada.

Low earnings and the prevalence of chronic low income among the family class are issues of concern that need to be addressed to help boost the living standards of immigrant families and for Canada to benefit from their human capital in the labour market as it becomes more dependent on immigrants to support its economic growth. Moreover, one of Canada's policy goals is to ensure the family class does not impose an undue economic burden on the country, and Canada has taken several additional steps in recent years to achieve this objective, such as limiting the intake of parents and grandparents.

Introduction

In November 2017, Canada tabled its "2018–2020 Immigration Levels Plan" that will see its immigrant admissions rise to 340,000 by 2020—up from a target of 300,000 in 2017 and about 260,000 per year over the previous decade.[1] With Canada's immigrant intake on the rise, this report draws upon the 2018–20 plan to estimate the economic and fiscal impacts of immigration between 2017–40. We chose this period to allow us to compare the findings of this report with those of our October 2017 report *450,000 Immigrants Annually? Integration is Imperative to Growth*.

We begin this report by outlining our forecast methodology. We then run two immigration scenarios to evaluate how they could impact key economic and fiscal indicators, such as real GDP, real GDP per capita, the share of the population aged 65 and over, the worker to retiree ratio, and health care costs as a share of provincial revenues. The first scenario assesses what would happen to Canada's economy if it stopped immigration completely. While this counterfactual scenario is implausible given Canada's need for immigration to mitigate the negative consequences of its aging population and low birth rate, the benefit of running it is that it helps us better understand the importance of immigration to Canada's economic and fiscal standing. In addition, this scenario allows us to assess the individual contributions of each immigration class to Canada's real GDP growth. The second scenario draws upon Canada's 2018–2020 Immigration Levels Plan to assess the ramifications of slowly increasing immigrant admissions over the coming decades.

1 Immigration, Refugees and Citizenship Canada, "Supplementary Information 2018–2020 Immigration Levels Plan."

Third, we forecast the contributions to economic growth of Canada's three admissions classes (economic, family, and refugees). Only economic class immigrants are admitted based on their human capital characteristics, such as age, education, language skills, occupation, and work experience. Immigrants under the other two classes are admitted for social and humanitarian reasons, and so they can't be expected to fare as well as the economic class in terms of labour market success. Nonetheless, we explore the economic benefits and challenges of the family class given that it accounts for a sizable amount of Canada's total admissions.

Our Forecast Assumptions

We make every effort to make our forecasts as realistic as possible by including key assumptions that are based on current immigration policy and the recent economic outcomes of Canada's immigrants. Detailed below (and in Appendix A), these include assumptions on immigration levels and composition, Canada's demographic trends, and immigrant employment and wage characteristics.

Immigration Levels

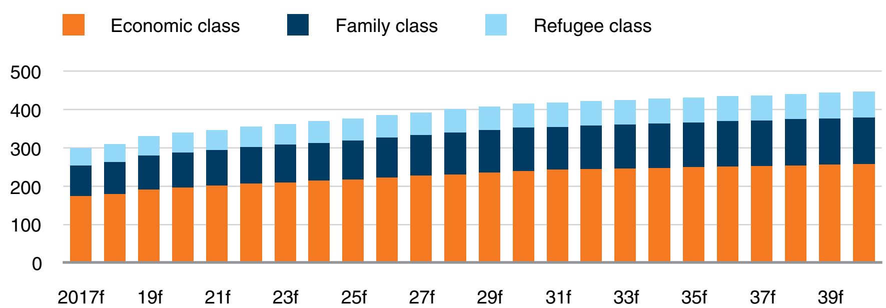
We run two scenarios. The no immigration scenario assumes that Canada does not welcome any immigrants between 2017 and 2040. The 1 per cent scenario assumes Canada will gradually increase its immigration levels over the coming decades to replenish its rising wave of retirees and to grow its labour force. We assume Canada welcomed 300,000 immigrants in 2017[2] and will achieve its 2018–20 immigration levels targets of welcoming 310,000 immigrants in 2018, 330,000 in 2019, and 340,000 in 2020. We hold Canada's projected immigration rate in 2020 (0.90 per cent of the population) constant until bumping it up to 0.95 per cent of the population in 2025. We increase the rate again to 1 per cent of the population in 2030 and then hold it constant until 2040.

2 The 2017 data remain preliminary at the time of writing this report. Any discrepancy in Canada's actual intake and our 2017 intake assumption is unlikely to be statistically significant.

Immigrant Composition

Chart 1 displays our immigrant composition assumptions. Based on Canada's 2018–20 levels plan, we assume that Canada's immigrant composition will remain steady over the forecast period (58 per cent economic, 27 per cent family, 15 per cent refugees). A limitation of this assumption is that Canada's immigrant composition changes yearly based on government policy priorities, operational considerations, and other factors, such as global migration trends. Nonetheless, the target compositions in the 2018–20 levels plan are comparable to Canada's immigrant composition over the past two decades and we expect that the economic class will continue to comprise the lion's share of immigrant admissions in the decades to come. (See "The Economic Class Leads the Way.")

Chart 1
Forecast of Immigrant Admissions by Class, 2017–40
(000s)

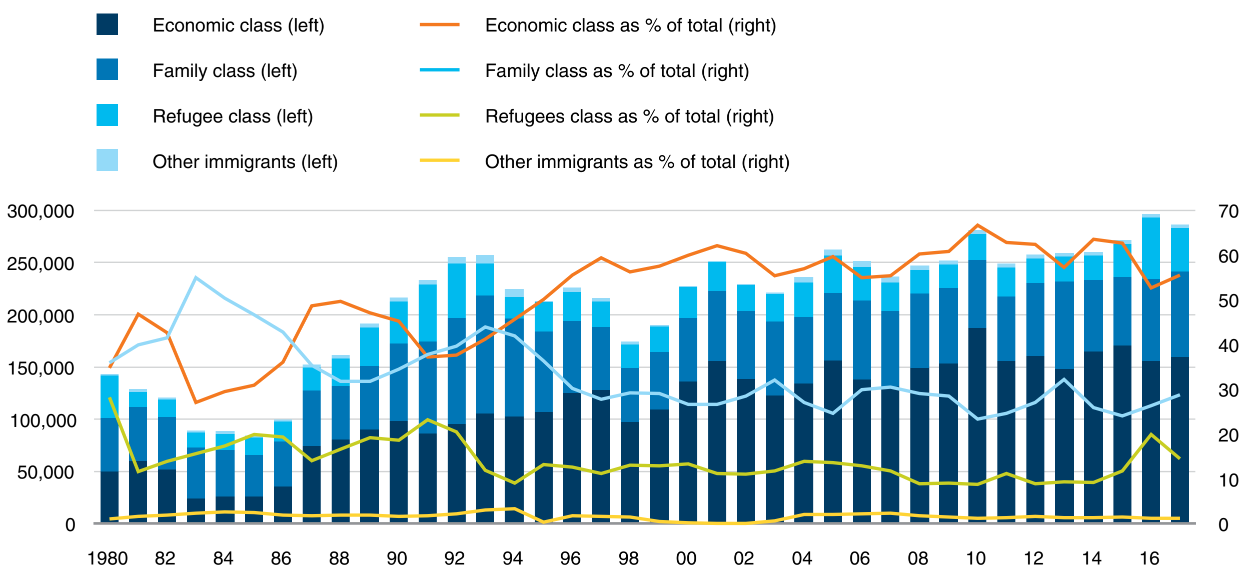


f = forecast
Note: Projections are based on Canada's historical immigration levels.
Source: The Conference Board of Canada.

The Economic Class Leads the Way

Canada's target immigrant composition under its 2018–20 levels plan is similar to the composition of its immigrants since the late 1990s, with the exception that the plan's refugee share is slightly higher than recent historical averages (which comes at the expense of the economic class). Since 1994, Canada has prioritized economic class admissions to help address its labour market needs. (See Chart 2.) The economic class' share of total immigration steadily increased from 46 per cent in 1994 to 60 per cent in 2000 and peaked at 67 per cent in 2010. While the economic class hovered around the 60 per cent range throughout the 2000s, the family class accounted for about 27 per cent of annual immigrant admissions and the refugee class comprised about 12 per cent. The totals do not add up due to rounding and about 1 per cent of annual admissions being recorded as "other immigrants."

Chart 2
Immigrant Admissions by Class, 1980–2017
(admissions, 000s; share of total, per cent)



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

Demographics

Our demographic assumptions are based on recent historical trends reported by Statistics Canada. For example, over the forecast period, we assume that Canada's fertility rate remains constant at 1.5. 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 the 2016 rate (0.2 per cent of the population leaving Canada each year throughout the forecast).

Employment Characteristics

We draw from the most recent Statistics Canada census data, which contains employment data based on immigrant landing cohorts (i.e., those who arrived in Canada during the 2011–16, 2001–10, 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 69.9 per cent for those who have resided in Canada for less than five years, 78.4 per cent for those who have lived in Canada for between five and 15 years, and just under 79 per cent for those who have lived in Canada for between 15 and 25 years. We have adopted this 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 (69.9 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 23-year period since our forecast period is over the same length of time (2017–40). Hence, we assume that family class immigrants who landed in Canada between 2017 and 2022 will have an employment rate of 59.2 per cent, and it will gradually increase to 71 per cent for 2023–32, and 76.7 per cent for 2033–40. Employment rates for refugees are assumed to be 45.3 per cent during the 2017–22 period, rising to 67.1 per cent for 2023–32, and 73.6 per cent for 2033–40.

Principal applicants under the economic class tend to reach the average Canadian wage within five years of landing.

When we weigh the three immigrant classes according to Canada's immigrant composition over our forecast period, the overall immigrant employment rate is 63.3 per cent for 2017–22, 74.7 per cent for 2023–32, and 77.6 per cent for 2033–40. Immigrants have high employment rates compared with the rest of Canada's working-age population since most of them arrive in Canada during their prime working years, which is especially the case for the main admissions group—the economic class. In comparison, the average employment rate in Canada is currently 61.7 per cent,[3] and is set to decrease over the next 23 years as Canada's population ages (dipping to about 58 per cent by 2040).

Wages

Using the most recent Statistics Canada data, we compare the wages of employed immigrants who landed in Canada between 1991 and 2015 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 due to the fact they are screened under Canada's merit-based system and, hence, have a much higher likelihood than immigrants arriving under all other streams of faring well in the Canadian economy. Spouses and dependants of principal applicants earn well below the average Canadian wage. For instance, spouses and dependants of federal skilled workers who are in the labour force earn about 58 per cent of the average wage even a decade after arriving. Even after 23 years, they earn 89 per cent of the average Canadian wage. Immigrants who arrive under the family class earn 61 per cent of the average wage a decade after arriving. After 23 years they earn about 81 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 50 per cent of the average wage a decade after landing and about 69 per cent after 23 years.

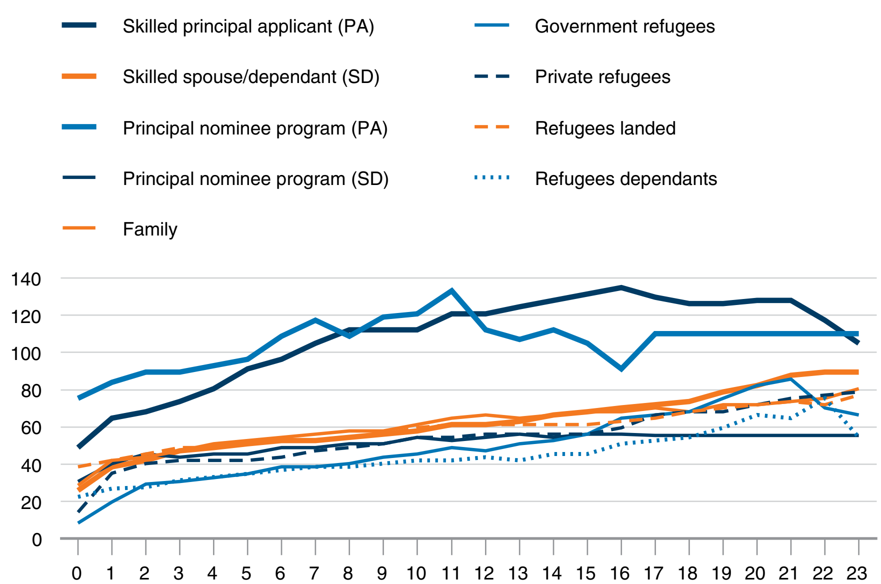
3 Statistics Canada, CANSIM table 282-0087.

To calculate our immigrant income results, we weigh the annual evolution of immigrant wages over this period by entry class. (See Chart 3.) We stagger immigrant earnings based on the year they land in Canada. For instance, the earnings of an economic class principal applicant that arrives in Canada in 2025 rises to above 105 per cent of the average Canadian wage in 2040. 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 83 per cent of the average Canadian wage after 23 years. (See Chart 4.) Our assumptions and their limitations are summarized below and in Appendix A.

Chart 3

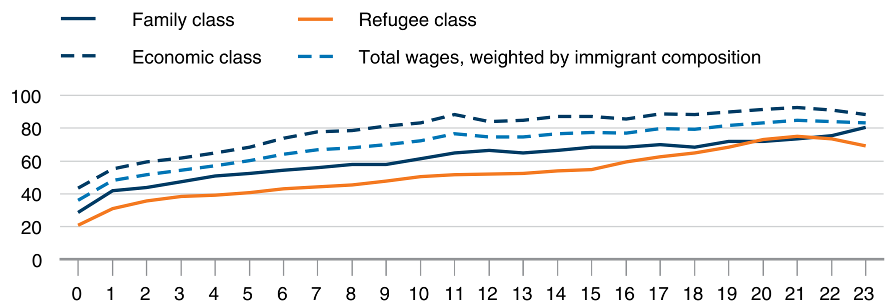
Forecast of Immigrant Wages by Number of Years Post-Landing and Entry Stream

(share of Canadian average wage, per cent; years since landing)



Note: We keep Principal Nominee Program (PNP) income constant after year 17 due to data limitations. Since the PNP launched in 1998, data are only available for the years between 1998 and 2015.
Sources: The Conference Board of Canada; Statistics Canada.

Chart 4
Forecast of Immigrant Wages by Number of Years Post-Landing and Entry Class
(share of Canadian average wage, per cent; years since landing)



Sources: The Conference Board of Canada; Statistics Canada.

Limitations of our Assumptions

The limitations of our assumptions include:

- 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. Moreover, immigrant employment rates and wages were weighed down by the 2008–09 recession, which makes our forecast somewhat conservative. As such, we may be understating the economic benefits of immigration over our forecast period.
- Conversely, we do not assume that immigrant wages and employment rates deteriorate, which is also possible if the labour market integration challenges that immigrants commonly face 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, though we assume that the higher costs will be offset by the contributions of immigrants to the economy (i.e., paying taxes and stimulating demand).

No Immigration Versus More Immigration

No Immigration Scenario Results

What would happen to the economy if Canada shut its doors to immigrants completely? The economic and fiscal consequences would be negative. As shown in Table 1, Canada's real GDP growth would slow to an average of 1.3 per cent annually between 2017 and 2040, which is 0.6 percentage points lower than the 1 per cent scenario's average. (See Chart 5.) Canada's population would age more rapidly, with the share of the 65 and over population reaching 26.9 per cent by 2040 (4.5 percentage points higher than under the 1 per cent scenario). As the size of the labour force plummets, the ratio of workers to retirees drops from 3.6 to 2.0 by 2040 (compared with a ratio of 2.6 under the 1 per cent scenario).

Table 1

No Immigration Scenario Results

	Immigration rate (per cent)	Immigration (number)	Population	Real GDP (2007 $ millions)	Annual real GDP growth (per cent)	Real GDP per capita (2007 $ 000s)	Workers per retiree ratio (20-64/65+)	Health care as a share of provincial revenue
2017f	0.00	0	36,779,667	1,848,242	2.9	50,252	3.6	35.4
18f	0.00	0	36,830,395	1,878,479	1.6	51,003	3.5	35.3
19f	0.00	0	36,867,325	1,903,694	1.3	51,636	3.4	35.5
20f	0.00	0	36,890,873	1,930,033	1.4	52,317	3.3	35.8
21f	0.00	0	36,900,900	1,955,511	1.3	52,994	3.1	36.0
22f	0.00	0	36,897,173	1,980,742	1.3	53,683	3.0	36.3
23f	0.00	0	36,879,264	2,005,584	1.3	54,382	2.9	36.5
24f	0.00	0	36,846,754	2,030,258	1.2	55,100	2.8	36.7
25f	0.00	0	36,798,994	2,055,142	1.2	55,848	2.7	36.9
26f	0.00	0	36,735,475	2,080,530	1.2	56,635	2.6	37.2
27f	0.00	0	36,656,086	2,106,141	1.2	57,457	2.5	37.4
28f	0.00	0	36,560,648	2,131,553	1.2	58,302	2.4	37.6
29f	0.00	0	36,449,139	2,157,356	1.2	59,188	2.3	37.8
30f	0.00	0	36,321,821	2,183,144	1.2	60,106	2.3	38.0
31f	0.00	0	36,178,988	2,209,077	1.2	61,060	2.2	38.2
32f	0.00	0	36,021,568	2,235,884	1.2	62,071	2.2	38.4

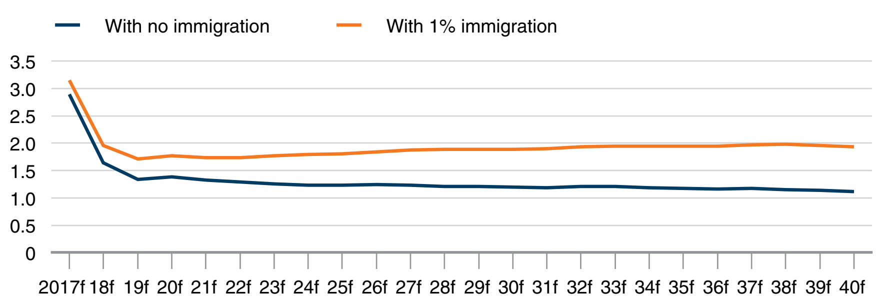
(continued …)

Table 1 (cont'd)
No Immigration Scenario Results

	Immigration rate (per cent)	Immigration (number)	Population	Real GDP (2007 $ millions)	Annual real GDP growth (per cent)	Real GDP per capita (2007 $ 000s)	Workers per retiree ratio (20-64/65+)	Health care as a share of provincial revenue
33f	0.00	0	35,850,092	2,262,898	1.2	63,121	2.2	38.5
34f	0.00	0	35,665,549	2,289,537	1.2	64,195	2.1	38.7
35f	0.00	0	35,469,279	2,316,287	1.2	65,304	2.1	38.8
36f	0.00	0	35,262,094	2,343,045	1.2	66,447	2.1	38.9
37f	0.00	0	35,043,671	2,370,413	1.2	67,642	2.1	38.9
38f	0.00	0	34,816,204	2,397,771	1.2	68,869	2.1	38.9
39f	0.00	0	34,580,897	2,425,080	1.1	70,128	2.0	38.9
40f	0.00	0	34,338,402	2,451,922	1.1	71,405	2.0	38.9

f = forecast
Source: The Conference Board of Canada.

Chart 5
What If Canada Shut Its Doors to Immigrants?
(annual real GDP growth, per cent)



f = forecast
Source: The Conference Board of Canada.

Real GDP per capita would increase significantly from $50,252 in 2017 to $71,405 in 2040 ($8,348 higher than under the 1 per cent scenario), which may seem like a positive finding as it would appear to result in improved living standards. But such a scenario would cause challenges that would likely undermine the boost to real GDP per capita. The increase in real GDP per capita can be explained by the fact that cutting immigration would increase the age distribution of Canada's domestic workers (i.e., workers earn higher wages as they age), and would reduce the number of workers earning below the average Canadian

Weak population growth makes it more difficult for governments to fund vital social services.

wage. However, the existing literature does not suggest that immigrants place downward pressures on the wages of domestic workers (i.e., the Canadian-born and immigrants already in Canada).[4]

Another seemingly positive finding of this scenario is that the drastic drop in Canada's population to 34.3 million people by 2040 would see average health care costs increase at a slower annual rate of 3.5 per cent between 2017–40 (about 0.6 percentage points lower than under the 1 per cent scenario). But, all told, this scenario is likely to hurt Canadian living standards since weak economic growth and a shrinking labour force would result in declining public and private sector investments. Moreover, Canada would likely need to increase tax rates to compensate for the dwindling number of taxpayers.

The Atlantic region is a glaring example of the perils of weak population growth. The region has experienced a vicious cycle of slow economic growth, low public and private sector investment, and difficulties retaining its own residents and immigrants.[5] Moreover, as shown in Atlantic Canada, weak population growth makes it more difficult for governments to fund vital social services—especially as a population ages and requires more costly services such as health care. The same would occur across Canada if immigration was cut to zero, as a smaller tax base would pressure governments across Canada to make tough decisions, such as cutting social services in small and rural communities where it would become difficult to justify making social investments in the wake of population decline.

Can Productivity-Enhancing Investments Replace Immigrants?

To help offset the negative economic and fiscal impacts of a shrinking labour force, Canada would need to rely on more productivity growth[6] through technological advancement (e.g., automation and artificial

4 Peri, "Do Immigrant Workers Depress the Wages of Native Workers?"

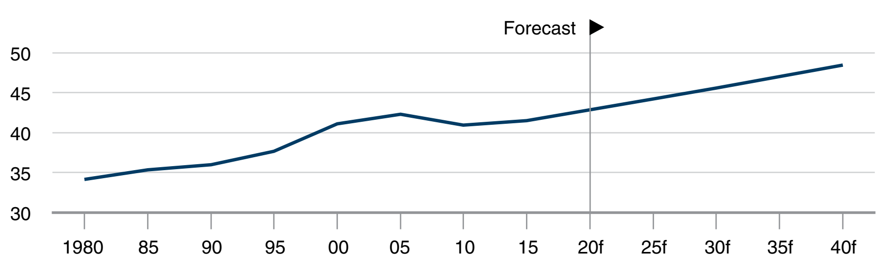
5 El-Assal and Goucher, *Immigration to Atlantic Canada: Toward a Prosperous Future*.

6 We are referring to total factor productivity (TFP) in this discussion (not labour productivity). TFP reflects technological change and is the portion of potential economic growth that is unexplained after accounting for labour and capital. On the other hand, labour productivity is calculated by dividing total output by the number of workers or hours worked.

intelligence) to substitute workers—which could be prompted by rapidly increasing wages in a labour-constrained world. Productivity growth is important because it is among the three components that allow Canada to increase its potential output and the living standard of its citizens. Potential output measures the highest sustainable level of real GDP that an economy can attain based on its productivity, labour supply, and capital stock (the total value of physical capital within an economy used to produce goods and services).

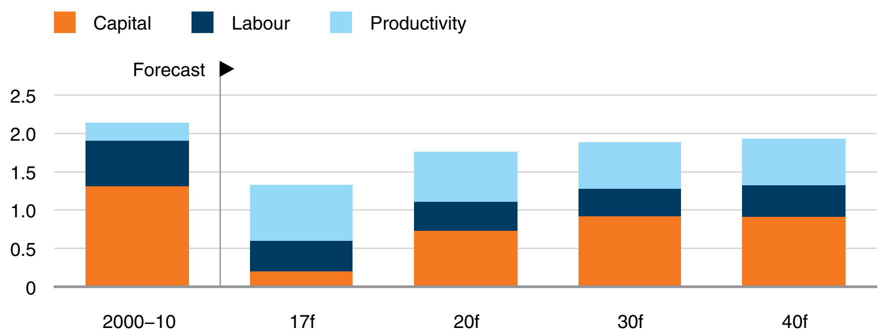
We use optimistic forecasts on Canada's future total factor productivity growth based on the assumption that the rate of technological advancement will be much faster moving forward. (See charts 6 and 7.) Labour force growth is forecast to have a smaller impact on potential output than it did between 2000 and 2010 and in previous decades, since the arrival of Generation Z (those born after 1993) into the labour market will not be enough to replenish the wave of baby boomers set to retire—which will constrain Canada's economic growth potential. To help offset the negative economic and fiscal impacts of a shrinking labour force in a no-immigration world, Canada would need to rely more on productivity-enhancing investments to substitute workers. However, to replicate the potential output it could otherwise achieve by having labour force growth contribute positively to its potential output, Canada would need to see an increase in private and public investments to significantly lift productivity—a situation that is unlikely in an environment of low economic growth and (potentially) higher taxes.

Chart 6
Canada's Total Factor Productivity, 1980–2040
(per cent)



f = forecast
Source: The Conference Board of Canada.

Chart 7
Components of Potential Output Growth, 1 Per Cent Scenario
(contribution to annual growth, percentage point)



f = forecast
Source: The Conference Board of Canada.

One Per Cent Immigration Scenario Results

Under the 1 per cent scenario, real GDP grows at an average annual rate of 1.9 per cent over 2017–40. Despite the increase in immigration over this period, Canada's population continues to age significantly, with the share of the population 65 and over reaching 22.4 per cent by 2040 (up from 16.9 per cent in 2017). The ratio of workers to retirees declines from 3.6 to 2.6 by 2040. Real GDP per capita improves from $49,966 in 2017 to $63,057 in 2040, and Canada's population grows from 37 million to just over 45 million. (See Table 2.) Aging causes health care costs to rise significantly—by an average of 4.1 per cent annually between 2017–40—and accounts for 39.2 per cent of provincial revenues in 2040 (up from 35.3 per cent in 2017).

Table 2
One Per Cent Scenario Results

	Immigration rate (per cent)	Immigration (number)	Population (number)	Real GDP (2007 $ millions)	Annual real GDP growth (per cent)	Real GDP per capita (2007 $)	Workers per retiree ratio (20-64/65+)	Health care as a share of provincial revenue (per cent)
2017f	0.82	300,000	37,079,667	1,852,706	3.1	49,966	3.6	35.3
18f	0.84	310,000	37,447,095	1,889,034	2.0	50,445	3.5	35.3
19f	0.88	330,000	37,826,929	1,921,258	1.7	50,791	3.4	35.6
20f	0.90	340,000	38,209,769	1,955,311	1.8	51,173	3.3	35.9
21f	0.91	347,400	38,592,692	1,989,205	1.7	51,544	3.2	36.2
22f	0.92	354,800	38,975,214	2,023,526	1.7	51,918	3.1	36.6
23f	0.93	362,200	39,356,560	2,059,278	1.8	52,324	3.0	36.8
24f	0.94	369,600	39,735,918	2,096,102	1.8	52,751	3.0	37.1
25f	0.95	377,000	40,112,228	2,133,938	1.8	53,199	2.9	37.3
26f	0.96	384,600	40,484,781	2,173,303	1.8	53,682	2.8	37.6
27f	0.97	392,200	40,853,073	2,213,949	1.9	54,193	2.7	37.8
28f	0.98	399,800	41,216,541	2,255,733	1.9	54,729	2.7	38.1
29f	0.99	407,400	41,574,868	2,298,447	1.9	55,285	2.6	38.2
30f	1.00	415,000	41,928,024	2,341,956	1.9	55,857	2.6	38.4
31f	1.00	418,504	42,272,003	2,386,562	1.9	56,457	2.6	38.6
32f	1.00	421,919	42,607,345	2,432,874	1.9	57,100	2.5	38.8
33f	1.00	425,249	42,934,315	2,480,330	2.0	57,770	2.5	38.9
34f	1.00	428,498	43,253,623	2,528,753	2.0	58,463	2.5	39.0
35f	1.00	431,673	43,566,391	2,577,947	1.9	59,173	2.5	39.1
36f	1.00	434,785	43,873,252	2,628,211	1.9	59,905	2.5	39.2
37f	1.00	437,839	44,173,751	2,680,108	2.0	60,672	2.5	39.2
38f	1.00	440,838	44,469,845	2,733,071	2.0	61,459	2.5	39.2
39f	1.00	443,792	44,762,688	2,786,764	2.0	62,256	2.6	39.2
40f	1.00	446,715	45,052,856	2,840,886	1.9	63,057	2.6	39.2

f = forecast
Source: The Conference Board of Canada.

The Case for Boosting Immigration to 1 Per Cent

We find that the no immigration scenario ranks less favourably across most of our economic and fiscal indicators when comparing it with the 1 per cent scenario and the scenarios in our October 2017 report. (See Table 3.) The comparison is not perfect, as we have updated key demographic and immigrant economic outcomes assumptions based on the most recent data. One notable change is that we have improved our immigrant employment rate assumptions compared with the October 2017 report, which strengthens the 1 per cent scenario's real GDP and GDP per capita results. As such, the 1 per cent scenario is superior across most economic and fiscal metrics when compared with the other scenarios.

Table 3
Comparing the Scenario Results in 2040

	Canada (end of 2017)	1 per cent scenario	No immigration scenario	Status quo scenario*	Medium immigration scenario*	High immigration scenario*
Immigration (number)	300,000	446,715	0	361,824	450,000	528,466
Immigration rate (per cent)	n.a.	1.00	0.00	0.82	0.99	1.11
Population (number)	37,079,667	45,052,856	34,388,402	44,290,842	45,624,736	47,929,010
Population share aged 65 and over (per cent)	16.9	22.4	26.9	24	23.2	22.5
Workers per retiree ratio	3.6	2.6	2.0	2.4	2.4	2.5
Real GDP (2007 $ millions)	1,852,706	2,840,886	2,451,922	2,785,941	2,844,593	2,924,989
Average annual real GDP growth (2017–40)	3.1	1.9	1.3	1.9	1.9	2.1
Real GDP per capita (2007 $)	49,966	63,057	71,405	62,901	62,348	61,628
Health care costs as share of provincial revenues (per cent)	35.0	39.2	38.9	42.6	40.7	40.5

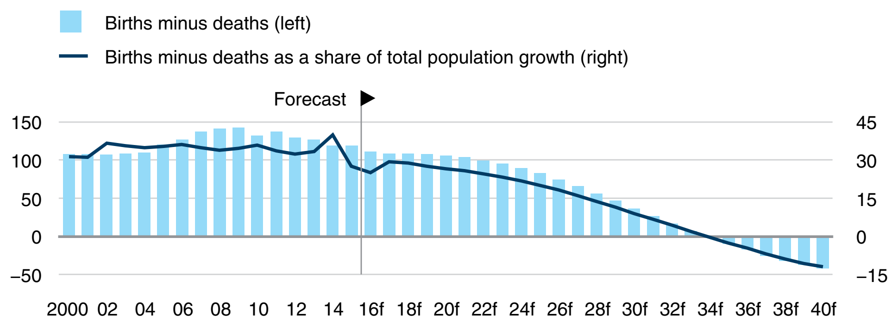
n.a. = not applicable
*results from The Conference Board of Canada's October 2017 report *450,000 Immigrants Annually? Integration Is Imperative to Growth*
Note: We have improved our immigrant employment rate assumptions compared with the October 2017 report, which strengthens this report's real GDP and GDP per capita results.
Source: The Conference Board of Canada.

Our forecasts suggest that bumping the immigration rate to 1 per cent of the population by the early 2030s is a worthwhile policy measure to help mitigate the anticipated challenges of population aging and a low birth rate on the country's economic and fiscal standing. Since the mid-1990s, Canada's population has grown at a rate of about 1 per cent per year. At present, natural increase (births minus deaths) accounts for an estimated 29 per cent of the Canada's annual population growth. (See Chart 8.) However, with the natural increase declining, immigration's share of annual population growth will rise from about 71 per cent today to 100 per cent by 2034, when the number of deaths is forecast to exceed births. (See Chart 9.)

Chart 8

Natural Increase to Become a Declining Component of Population Growth

(growth, 000s; share of growth, per cent)

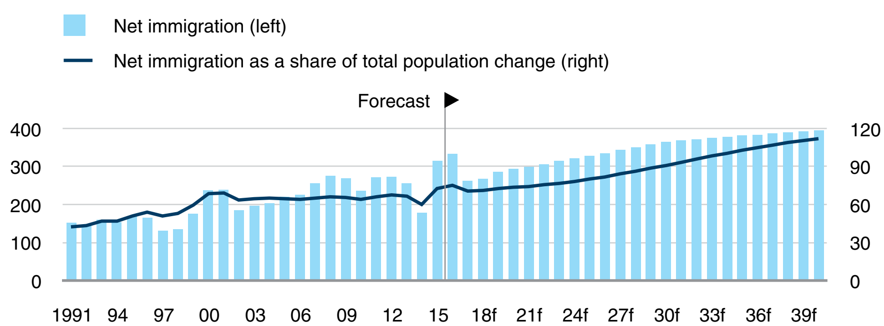


f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

Chart 9

Immigration Will Be Key to Growing Canada's Population

(immigration, 000s; share of population change, per cent)



f = forecast
Sources: The Conference Board of Canada; Statistics Canada.

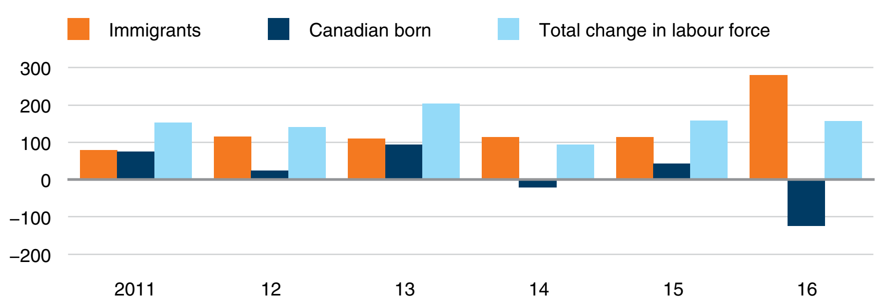
Canada is already at a point where it is almost entirely dependent on immigration for its labour force growth. Between 2011 and 2016, Canada added some 902,100 workers to its labour force, 90 per cent of whom were immigrants. (See Chart 10.) On two recent occasions (in 2014 and 2016), immigration accounted for over 100 per cent of labour force growth. As such, based on current demographic trends, increasing the immigration rate to 1 per cent by the early 2030s will allow Canada to replicate its population growth rate of recent decades (1 per cent) and support modest labour force and economic growth over the long term.

We do want to emphasize, however, that there are both upside and downside risks to boosting immigration levels. On the upside, Canada could strengthen its economic growth. On the downside, higher immigration levels could have negative economic and fiscal consequences if Canada is unable to improve the labour market outcomes of its immigrants, which could also result in increased public resentment toward immigration given that much of the Canadian public's support for immigration is predicated on the belief that immigration is good for the economy.[7] Hence, successfully executing further immigration increases requires Canada to heed three important considerations. (See "Three Keys to Successfully Increasing Canada's Immigration Levels.")

Chart 10

Canada's Labour Force Growth, 2011–16

(000s)



Sources: The Conference Board of Canada; Statistics Canada, Labour Force Survey 3701.

7 Environics Institute, *Canadian Public Opinion About Immigration and Minority Groups*.

Three Keys to Successfully Increasing Canada's Immigration Levels

It is essential for Canada to pursue three measures to ensure that it benefits from more immigration and to mitigate the downside risks of higher immigration levels.

First, Canada must continue to identify solutions to improve the labour market integration of immigrants so that it can reap greater economic and fiscal rewards from immigration. The vast majority of Canada's immigrants are not admitted based on their human capital characteristics, so it is understandable that they have weaker labour market outcomes (e.g., earnings) than the national average. At the same time, there remains plenty of room for improvement to enhance immigrants' labour market performance, which would benefit them, their families, and Canada as a whole.

Second, Canada's population will continue to grow as it welcomes more immigrants, which requires proactive measures to maintain the country's prosperity. As such, Canada will need to expand its capacity to absorb more immigrants by identifying how to grow its economy so that the Canadian-born population and newcomers alike can access good job opportunities and social services such as education, health care, affordable housing, and the other necessities that contribute to Canada's high living standards.

Third, in the wake of rising anti-immigrant sentiments around the world, Canada must be proactive in its efforts to maintain public support for its immigration system. Otherwise, it risks seeing anti-immigrant sentiments undermine its ability to welcome more newcomers in support of the country's economic growth. To do this, Canada needs to preserve strong management of its borders and the integrity of its immigration and temporary resident programs (e.g., the Temporary Foreign Worker Program), provide good job opportunities and social services to its citizens, and promote safe spaces for open debate on the merits and drawbacks of immigration. The last point is especially important, as increased scrutiny could enhance public support of the immigration system.

Immigration's economic impact will swell if Canada continues to up its admissions.

Forecasting the Contributions to Economic Growth of the Three Immigration Classes

One of the benefits of testing the no immigration scenario is that it also allows us to control for the economic impact of each immigration class. Canada's economy grew at a healthy rate in 2017. This was the fastest pace of growth since 2011 and was due to key factors such as strong consumer spending, a hot housing market, and the fastest labour force growth in a decade.[8] As such, immigration had a relatively muted impact on GDP growth in 2017, contributing about 0.25 percentage points to estimated total growth of 3.1 per cent. (See Table 4.) However, we forecast that Canada's economic growth will slow in the decades to come, in large part due to unfavourable demographic forces, including population aging, a low birth rate, and weaker labour force growth. Immigration's economic impact will swell if Canada continues to up its admissions. By 2030, under the 1 per cent scenario, we estimate that immigration will account for over one-third of Canada's annual real GDP growth. (See Table 5.)

Table 4

Immigration's Contribution to Canada's Economic Growth

(average annual contribution to real GDP growth, percentage point)

	Real GDP growth	All immigration	Economic class	Family class	Refugee class
2017f	3.1	0.25	0.19	0.05	0.01
20f	2.1	0.33	0.24	0.07	0.02
25f	1.9	0.43	0.30	0.09	0.03
30f	1.9	0.51	0.36	0.11	0.04
35f	1.9	0.57	0.40	0.13	0.05
40f	1.9	0.62	0.44	0.15	0.06

f = forecast
Note: We compared the status quo scenario results with the no immigration scenario results to arrive at these figures. The totals may not add up due to rounding.
Source: The Conference Board of Canada.

8 Stewart, *Canadian Outlook Bulletin: Winter 2018*.

Table 5
Immigration's Contribution to Canada's Economic Growth, by Admissions Class
(percentage share contribution to real GDP growth)

	All immigration	As percentage of all immigration		
		Economic class	Family class	Refugee class
2017f	7.9	74.6	19.4	6.0
20f	22.0	71.1	21.5	7.4
25f	32.4	69.6	21.7	8.8
30f	37.5	68.4	22.3	9.3
35f	41.1	65.7	23.4	10.9
40f	44.7	62.9	25.4	11.7

f = forecast
Note: The totals may not add up due to rounding.
Source: The Conference Board of Canada.

The results of the economic impact of each immigration class are unsurprising given that only one class is admitted based on ability to contribute to the economy. In 2017, of the 0.25 percentage points that immigration contributed to real GDP growth, the economic class accounted for nearly three-quarters of it. This despite the fact that the economic class accounts for 58 per cent of Canada's total immigrant admissions. The family and refugee classes punch below their weight relative to their share of Canada's total immigrant admissions. In 2017, the family class made up about one-fifth of immigration's total contribution to real GDP growth even though it accounted for just over one-quarter of total immigrant admissions. Over the forecast, the economic class disproportionately accounts for the majority (just under three-quarters) of immigration's total contribution to Canada's real GDP growth.

At first blush, the contributions of the family and refugee classes to economic growth are underwhelming, but there are several considerations that we need to keep in mind. Second-generation immigrants tend to have comparable economic outcomes to those of the Canadian-born population, which is something we do not account for in our forecasts since it ends in 2040, but is another factor that likely boosts the economic impact of all three immigration classes. In addition, it would be a mistake to judge the family and refugee classes only through an economic lens given that Canada welcomes immigrants under these two classes for social and humanitarian reasons. Moreover, while refugees certainly do contribute to the Canadian economy—as evidenced by the fact that refugees who have lived in Canada for over five years have a higher employment rate than the national average—the primary motive for Canada's admissions of refugees is to provide them sanctuary. As such, while we do not delve deeper into the economic impact of the refugee class, we believe it is reasonable to also evaluate family reunification through an economic lens—and not just a social one—given how prominent a role it plays in total immigrant admissions.

The Economic Impacts of Family Reunification

We want to preface our analysis by noting that the economic impacts of the family class can't be fully assessed by focusing on the average employment and wage characteristics of members of this class. Families are social units by definition.[9] Other metrics, that take this consideration into account, need to be analyzed to better understand how family class immigrants fare in, and contribute to, the Canadian economy. (See "Defining the Family Class.")

Defining the Family Class

Canadian citizens and permanent residents are eligible to sponsor certain family members for immigration to the country, including:

- spouses, partners, and dependent children;
- parents and grandparents;
- close relatives related by blood or adoption.[10]

Sponsors must meet various conditions, including minimum income requirements and agreeing to provide any required financial support to their

9 VanderPlaat, Ramos, and Yoshida, "What do Sponsored Parents and Grandparents Contribute?"

10 Immigration, Refugees and Citizenship Canada, "Sponsor Your Relatives — Who Can Sponsor."

A major benefit of family reunification is that it helps to boost household income.

relative so that the relative does not draw upon Canadian social assistance (we discuss this further below). Canadians and permanent residents may only sponsor one other close relative if they do not have another living relative that they could sponsor instead.

Supplementing Household Income

Family class immigrants earn significantly less on average than economic class principal applicants and than the average Canadian wage, but a major benefit of family reunification is that it helps to boost household income. For example, it can allow immigrants to work longer hours if they have family in Canada to help with child care. In 2014, Immigration, Refugees and Citizenship Canada (IRCC) conducted an evaluation of its family reunification program, which included surveying immigrants to better understand how family reunification affects them economically and socially.[11] Eighty-five per cent of respondents said that their parents/grandparents provided child care.[12] Among those who sponsored a relative for immigration to Canada, 66 per cent said that their spouse/partner contributed to the household income often, while an additional 14 per cent said they contribute sometimes. Another 15 per cent of sponsors said that their parents/grandparents contribute to the household income often, while 21 per cent said they contribute sometimes. This means that family reunification not only helps to boost household incomes of immigrants but can also reduce costly expenses such as child care.

Family reunification's role in supplementing household income is reflected in Table 6,[13] which shows the extent to which household incomes of immigrant families increase with each subsequent earner. Moreover, Table 7 highlights that although individual members of the family class earn below the average Canadian wage, the fact that they are earning some form of income enables immigrant families to have household incomes comparable with those of Canadian-born families.

11 Immigration, Refugees and Citizenship Canada, *Evaluation of the Family Reunification Program*.

12 Ibid.

13 Note that Table 6 evaluates the incomes of economic families, while Table 7 evaluates private households. The definitions for these units are contained in each table.

(See Table 7.) This suggests that one of the challenges of assessing the individual economic outcomes of family class immigrants is it does not take into account the behavioural dimensions of immigrant households. Because immigrant families are seeking reunification, individuals within the family may be willing to sacrifice their career prospects to facilitate the reunification.[14] As such, immigrant families are more likely to make decisions based on their objective of having a satisfactory household income rather than on individuals within the family seeking to maximize their personal earnings.

Table 6

Income of Economic Families, Immigrants and Non-Immigrants

(median total income, $)

	Immigrant families	Canadian-born families
Total earners	84,612	90,126
No earners	38,392	42,323
1 earner	60,663	62,569
2 earners	94,940	103,370
3 or more earners	127,022	142,728

Note: Statistics Canada defines an economic family as a group of two or more persons who live in the same dwelling and are related to each other by blood, marriage, common-law union, adoption, or a foster relationship.
Sources: Statistics Canada, 2016 Census; The Conference Board of Canada.

Table 7

Income of Private Households by Immigrant Admissions Class

($ 000s)

	Median total income	Median total income of household
TOTAL (CANADA-BORN AND IMMIGRANT HOUSEHOLDS)	34,205	85,950
Canadian-born household	36,305	88,310
Immigrant household	29,768	81,335
Total (immigrant admissions class and applicant type)	28,151	83,350
Economic class	32,321	87,578
Principal applicants	40,839	85,221
Secondary applicants	24,939	89,468

(continued …)

14 Bonikowska and Hou, *Labour Market Outcomes of Immigrant Women*.

Table 7 (cont'd)

Income of Private Households by Immigrant Admissions Class

($ 000s)

	Median total income	Median total income of household
Family class	24,473	84,801
Sponsored spouses or partners	29,019	82,786
Sponsored parents or grandparents	17,425	91,482
Immigrants sponsored by family*	23,208	79,048
Refugee class	24,850	69,107

*Sponsored intercountry adopted children, public policy, humanitarian, and compassionate cases sponsored by family, and immigrants sponsored by family not included elsewhere.
Note: The private household is defined by Statistics Canada as a person or group of persons who occupy the same dwelling and do not have a usual place of residence elsewhere in Canada or abroad.
Sources: Statistics Canada, 2016 Census; The Conference Board of Canada.

Another financial benefit of family reunification is that it can support the income security of households in cases where an earner loses their job or temporarily exits the labour force (e.g., due to illness, return to school, or to take care of a relative). It can also enable immigrants to pursue educational opportunities to improve their future employment prospects and wages in support of the overall household income.

Because it helps to supplement household income, family reunification provides a significant boost to the purchasing power of immigrant families, which stimulates demand in the Canadian economy. For instance, if we assess what tends to be the biggest purchase someone makes during their life—buying a home—we find that immigrants who have resided in Canada for over five years have higher homeownership rates than the Canadian-born population. (See Table 8.)

Family class immigrants have higher retention rates in their province of landing than the economic class.

Table 8
Homeownership Rates
(per cent)

Immigration status	Homeownership rate
All households	68.7
Non-immigrants	69.3
All immigrants	68.7
Landed before 2011	72.3
Newcomers (landed 2011–16)	34.6

Note: Totals exclude non-permanent residents.
Sources: Canada Housing and Mortgage Corporation; Statistics Canada, 2016 Census; The Conference Board of Canada.

Settlement and Integration

One of the key benefits of family reunification is it helps promote the settlement and integration of immigrants, including of sponsors themselves. For instance, immigrants reported in the IRCC evaluation that they felt happy and settled in their careers and personal lives after being reunited with their spouse/partner.[15] This is an especially important point to keep in mind as Canada continues to recruit more immigrants in support of its economic growth. While the economic class—namely principal applicants—are highly coveted due to the skills they add to the labour market, the family class is crucial to Canada's overall efforts to attract, settle, integrate, and retain members of the economic class—and immigrants as a whole. Consider an economic class principal applicant who gets married to a spouse living abroad—Canada is able to boost its odds of benefiting from the principal applicant's human capital over the long run by facilitating an efficient reunification process with their spouse.

15 Immigration, Refugees and Citizenship Canada, *Evaluation of the Family Reunification Program*.

Retention

Family class immigrants have higher retention rates in their province of landing than the economic class. Whereas the economic class is more transient within Canada as they search for the best job opportunities, the family class immigrants have a higher likelihood of remaining in their province of landing due to their family attachment.[16] This underscores the utility of family reunification to economic development policy, as it helps to stimulate demand within the economy and add workers to the labour supply (both in terms of newcomers joining the labour force and retaining their sponsors who might otherwise move to another province or leave Canada if they are not joined by their sponsored relatives). This is particularly key for the Atlantic provinces who have far higher retention rates among the family class than does the economic class. (See Table 9.)

Table 9

Immigrant Retention by Destination and Entry Class

(per cent)

	Economic class	Family class	Refugee class
Newfoundland and Labrador	55.0	76.5	36.0
Prince Edward Island	14.1	62.5	37.5
Nova Scotia	63.6	70.6	60.0
New Brunswick	45.1	69.7	43.5
Quebec	82.2	92.8	78.0
Ontario	87.9	94.3	92.5
Manitoba	79.8	82.9	60.4
Saskatchewan	79.4	76.8	70.6
Alberta	89.9	91.3	89.8
British Columbia	84.6	91.8	81.9

Note: Reflects the retention rate five years after admission of the 2010 cohort of immigrant tax filers.
Sources: Statistics Canada, Longitudinal Immigration Database, 2015; The Conference Board of Canada.

16 Refugee retention rates largely depend on factors such as economic conditions within their province of landing, their social ties in Canada, and their refugee entry stream.

Immigrant spouses may struggle to participate in the labour market because they do not have access to affordable child care.

Social and Cultural Benefits

While it is beyond the scope of this study, we note that the value of family reunification can't be fully assessed without recognizing its social and cultural merits. As others have observed, social benefits include family class immigrants volunteering, enhancing cohesion within communities, and providing emotional and household support (e.g., performing chores).[17] Family class immigrants also impart their cultural heritage to younger family members (e.g., their children and grandchildren), which can help strengthen Canada's business and cultural ties with the rest of the world (e.g., family members helping children develop foreign language proficiency, which can be used in future Canadian business settings).

Family Class Economic Challenges

Despite the overall benefits of family reunification to the Canadian economy, it presents several challenges that require attention. While the family class has comparable labour force characteristics when compared with Canada's total population, the data suggest there remains room for improvement in terms of boosting the economic outcomes of members within this class. According to a recent Statistics Canada study, the family class has a higher rate of chronic low income[18] than the economic and refugee classes.[19] However, on the bright side, chronic low income among the family class declined from 18.5 per cent in 2000 to 14.6 per cent in 2012. Family class immigrants face labour market barriers (as do members of the other two immigrant classes) that hinder their ability to reach their economic potential in Canada. One challenge we identified in a recent study is that immigrant spouses may struggle to participate in the labour market because they do not have access to affordable child care.[20] This is one of several factors[21] that can help explain why

17 Immigration, Refugees and Citizenship Canada, *Evaluation of the Family Reunification Program*; VanderPlaat, Ramos and Yoshida, "What Do Sponsored Parents and Grandparents Contribute?"

18 Defined as having a family income below Statistic Canada's low-income cut-off for five consecutive years or more.

19 Picot and Lu, *Chronic Low Income Among Immigrants in Canada and Its Communities*.

20 El-Assal and Goucher, *Immigration to Atlantic Canada: Toward a Prosperous Future.*

21 Other factors include the human capital characteristics of immigrant women, cultural gender norms, and the number of social connections. See Hudon, "Immigrant Women."

immigrant women have a lower labour force participation rate[22] than Canadian-born women (immigrant and Canadian-born men have identical rates). Addressing labour market barriers is important given that Canada is becoming increasingly reliant on immigration for its labour force growth and overall prosperity. Doing so is also crucial as it will help improve the living standards of immigrant households.

One of the reasons for the high rate of chronic low income among family class immigrants is the prevalence of immigrant seniors with very low earnings,[23] which ties into another challenge. Immigrants admitted under the sponsored parent and grandparent stream have been subject to criticism that they present an economic burden to Canada.[24] Some public opinion polls have found that the majority of respondents disagree with allowing immigrants to sponsor their parents and grandparents.[25] Since they are older, immigrants admitted under this stream have lower labour force participation rates, earnings, and are more likely to require health care.

It is important to note that one of the federal government's family reunification objectives is to ensure that the family class does not present an undue economic burden by relying upon social assistance.[26] (See "Family Class Undertakings.") While the stream has some economic benefits when we analyze how parents and grandparents contribute to their families and communities (i.e., supplementing the household income, provision of child care, volunteering), Canada, in recent years, has taken several steps to reduce the parent and grandparent stream's potential economic burden. In 2014, the federal government doubled the length of the undertaking period for this stream to 20 years.[27] In 2011, it introduced the super visa program, which provides parents and grandparents with Canadian temporary residence for a period of up to

22 Hudon, "Immigrant Women."

23 Picot and Lu, *Chronic Low Income Among Immigrants in Canada and Its Communities*.

24 VanderPlaat, Ramos and Yoshida, "What Do Sponsored Parents and Grandparents Contribute?"

25 Immigration, Refugees and Citizenship Canada, *Evaluation of the Family Reunification Program*; Forum Research, "Federal – Immigration (Forum Research)."

26 Immigration, Refugees and Citizenship Canada, *Evaluation of the Family Reunification Program*.

27 Immigration, Refugees and Citizenship Canada, "Parent and Grandparent Program Sponsorship."

10 years as long as they purchase Canadian medical insurance and their sponsor earns the minimum necessary income.[28]

Recent and future immigration levels suggest that Canada has given less priority to parent and grandparent admissions, which is also likely part of the country's efforts to mitigate the potential economic burden of this stream. This is indicated by this stream's intake holding constant at about 20,000 admissions per year for more than a decade (and during the 2018–20 levels plan), even as Canada's overall immigrant intake continues to rise.

Family Class Undertakings

To mitigate the possibility that family class immigrants will pose a burden to the economy, Canada requires an undertaking agreement in which the Canadian sponsor commits to reimbursing any social assistance that the person arriving under the family class claims within a certain length of time (e.g., three years for spouses and dependants, 20 years for parents and grandparents). The purpose of the undertaking agreement is to encourage members of the family class to integrate economically and to ensure that any social assistance claimed within the undertaking period comes at the expense of a private resident (the sponsor) rather than at the expense of the Canadian public.

Conclusion

The no immigration scenario underscores the importance of immigration to Canada's future prosperity. In the absence of immigration, Canada would face constrained economic growth and greater challenges funding rising social costs in health care and other important areas. If it stopped immigration, Canada would need to see very rapid technological advancement to replicate the potential output it could otherwise achieve if it continued to rely on immigration to grow its labour force. Assuming it increases to 1 per cent of Canada's population, immigration will

28 Immigration, Refugees and Citizenship Canada, "Applying for a Parent and Grandparent Super Visa."

contribute to more than one-third of the country's annual real GDP growth by 2030. Boosting the immigration rate to 1 per cent by the early 2030s—when we project that immigration will account for 100 per cent of Canada's population growth—would help sustain modest population, labour force, and economic growth over the long term. In addition, the 1 per cent scenario ranks favourably across most economic and fiscal scenarios when compared with our other scenarios.

The economic class unsurprisingly accounts for most of immigration's total contribution to real GDP growth (nearly three-quarters of it). The family and refugee classes have less of an economic impact, but this is due to members of these classes being admitted for social and humanitarian reasons rather than for their human capital. Hence, under our forecasting model, which uses individual labour force characteristics to project the impacts of immigration and the three classes on the economy, the family and refugee classes under-contribute relative to their share of Canada's total immigrant admissions. But it would be a mistake to assess their economic impact only this way, which is why use other metrics to evaluate the economic contributions of the family class.

Low earnings and the prevalence of chronic low income among the family class are issues of concern that need to be addressed to help boost the living standards of immigrant families, and to help Canada benefit from their human capital in the labour market as it becomes more dependent on immigrant support for its economic growth. Our findings emphasize the importance of assessing the economic impact of the family class as social units (e.g., by looking at their household incomes) rather than as individuals. This is a key consideration as Canada continues to evaluate the distribution of its immigrant composition in the years and decades to come. While Canada has prioritized economic class admissions since the mid-1990s, family class admissions should also be viewed as part of economic development policy. Immigrant families are faring well in relation to Canadian-born families in important economic metrics such as household income and homeownership. Immigrant families bring other benefits as well, such as boosting immigrant retention rates, important to population and economic growth in Atlantic Canada, and to all other provinces as well.

Immigration has been vital to Canada's prosperity throughout the country's history and is poised to play an even bigger role moving forward. Canada needs to remain proactive in its efforts to benefit from immigration. This means enhancing the labour market outcomes of immigrants, increasing the country's capacity to absorb more newcomers so that Canadians and newcomers have access to opportunity, and working hard to maintain robust public support for the immigration system—which is fundamental to Canada's continued immigration success.

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APPENDIX A

Our Forecast Assumptions

The assumptions we used to forecast the economic impact of our scenarios are as follows:

Table 1

Demographic Assumptions

Demographic Assumptions	Demographic Rates
One per cent scenario	After reaching the federal immigration target of 340,000 in 2020, the immigration rate increases to 0.95% in 2025; to 1.00% in 2030; and remains constant at 1.00% until 2040.
No immigration scenario	The immigration rate is 0 for 2017–40.
Fertility rate	1.50%
Death rate	Follows historical trends by age and sex, with the pace slowing over the forecast period.
Emigration rate	Remains constant at its 2016 share of the population (0.2% of the total population).

Source: The Conference Board of Canada.

Table 2

Immigrant Composition Assumptions

Immigrant Composition Assumptions	Intake Share (per cent)
Economic, skilled worker principal applicants (PA)	13
Economic, skilled worker spouse & dependants (SD)	16
Economic, principal nominee program (PNP) PA	13
Economic, PNP (SD)	16
Family class	27
Refugees, government assisted	3.75
Refugee, privately sponsored	3.75
Refugee, landed in Canada	3.75

(continued …)

Table 2 (cont'd)

Immigrant Composition Assumptions

Immigrant Composition Assumptions	Intake Share (per cent)
Refugee, landed in Canada (SD)	3.75
Total	100

Source: The Conference Board of Canada.

Table 3

Immigrant Wages Post-Landing

(per cent)

Immigrant Wages Post-Landing*	1 Year	5 Years	10 Years	23 Years
Economic	55	69	83	88
Family	42	53	61	81
Refugees	31	41	50	69
Weighted total	48	60	72	83

*Wages are drawn from the most recent Statistics Canada data (1991–2015). They are compared with the Canadian average and are weighted by our immigrant composition assumptions. See charts 3 and 4 for the full breakdown of wage assumptions.
Source: The Conference Board of Canada.

Table 4

Employment Assumptions*

(employment rate, per cent)

	2017–22	2023–32	2033–40
Economic*	69.9	78.4	79.0
Family	59.2	71.0	76.7
Refugee*	45.3	67.1	73.6
Weighted total**	63.3	74.7	77.6

*Drawn from Census data; only ages 25-64 are available. The data are available in three intervals. The data indicates immigrant employment rates in 2016, based on the period in which they arrived to Canada. The three interval periods are 1991–2000; 2001–10; and 2011–16.
**Weighted according to immigrant composition.
Source: The Conference Board of Canada.

APPENDIX B
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