

Economics

IN FOCUS

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Fewer immigrants, but more bang for the buck

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Demographics used to be the easiest item in an economist's forecast spreadsheet — you simply continue the trend line. But that of course hasn't been the case recently. The dramatic jump in population growth in the past few years, along with the consequent policy response by the government to slow the inflow of new immigrants and non-permanent residents (NPRs), is making that exercise much more challenging. The impact of population growth on the macro economy is becoming much more than a function of the number of new arrivals. Their changing composition is playing a significant role in determining the real size of the economic "immigration multiplier".

Using published and unpublished data obtained from Statistics Canada and IRCC, we suggest that the economic contribution of the 395,000 new permanent residents (PRs) (the target for 2025), is notably higher than it was in the past. In other words, due to the rapid change in the mix of new arrivals, the recent cuts to immigration targets alone will not lead to a significant slowing in potential GDP growth. In fact, the opposite might be the case.

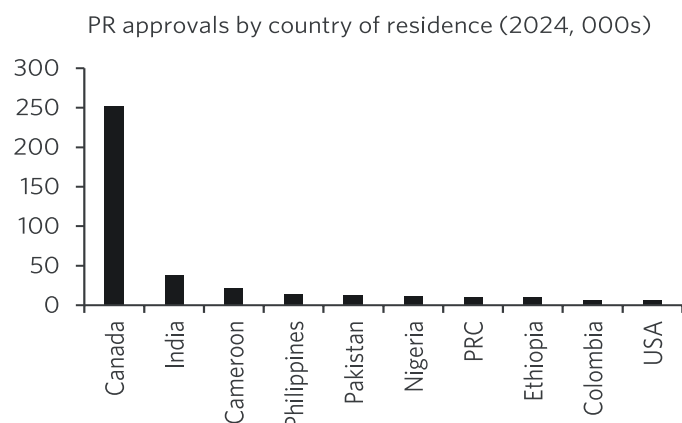
To maintain that advantage, the share of PRs with Canadian experience must remain elevated and, in fact, rise over time, while their absolute number should at the minimum be maintained.

New arrivals are not so new

The traditional view of immigration is of economic immigrants, family members, and refugees, arriving to their new land from outside the country. However, in Canada today the situation is very different. Of the 483,640 PR visas approved in 2024, 252,478 or 50.7% already resided in Canada. Year-to-April, that share is 54.6% — up from 39% in 2019 (Charts 1 and 2).

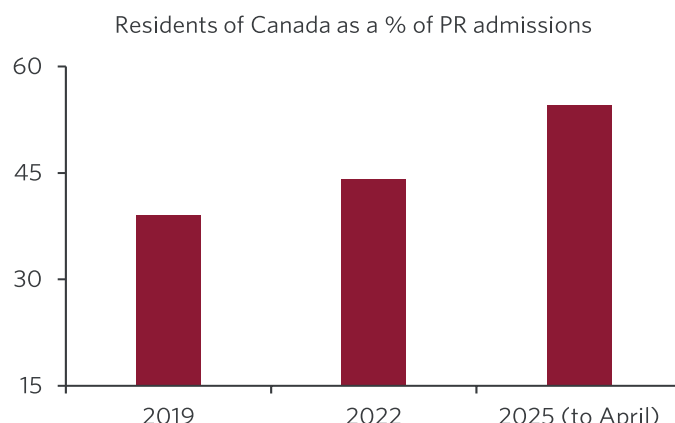
That trend is significant. Canadian resident PR approvals do not add to the strain on housing, health, social services, and infrastructure demands, as do PR arrivals from elsewhere. Furthermore, the changing composition of new immigrants works to significantly amplify the economic contribution of PRs.

Chart 1: Arriving to Canada, from Canada



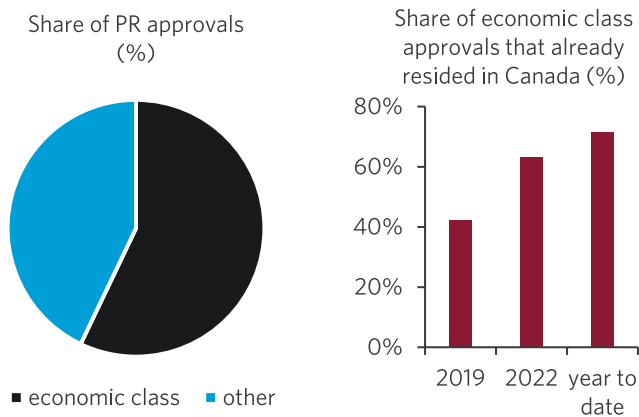
Source: StatCan, IRCC, CIBC

Chart 2: Rising share of PRs already resided in Canada



Source: StatCan, IRCC, CIBC

Chart 3: Growing share of economic class PRs already resided in Canada



Source: StatCan, IRCC, CIBC

Economic class getting younger with less dependents

By far, the largest share of PR approvals are in the “economic class”, at 57.1%. Almost two-thirds of the 285,476 economic class approvals in 2024 lived in Canada already and 71.3% year-to-date. That is significantly higher than the 42.5% economic class approvals that already resided in Canada in 2019 (Chart 3).

Now, the economic class is designed in a way that dependents (spouses, partners, and children) are included as part of the principal applicant’s application, but their earnings are reported separately. As we have indicated in previous [research](#), the age profile of NPRs is significantly younger than PRs that arrive from other countries. This has significant implications since many of them are not attached and have comparatively fewer dependents.

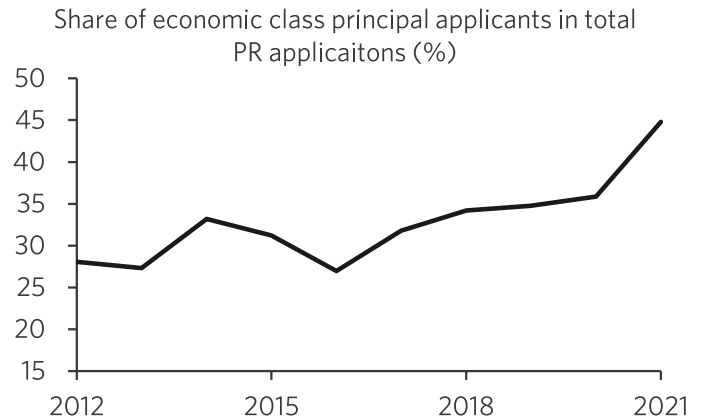
Consequently, the share of economic class principal applicants in the total PR pool has been on the rise (Chart 4) — adding to the overall economic contribution of new immigrants given the significant earnings gap between a principal applicant and a dependent.

On that point, note that average earnings were determined not only by principal applicants but also by the earnings of their spouses and dependents. While economic class spouses and dependents as a whole earned less than the overall average, that gap has narrowed for more recent arrivals, declining from \$9,100 for 2012 arrivals to \$5,600 for 2020 arrivals. Those trends help to lift the overall economic contribution of the economic class without the need to increase its share at the expense of other categories.

Canadian experience means higher income

Beyond the positive impact of the increased share of economic class applicants, the growing contribution of within Canada new arrivals to the economy is fueled by the sizable earnings

Chart 4: Share of economics class principal applicants in total PR applications on the rise



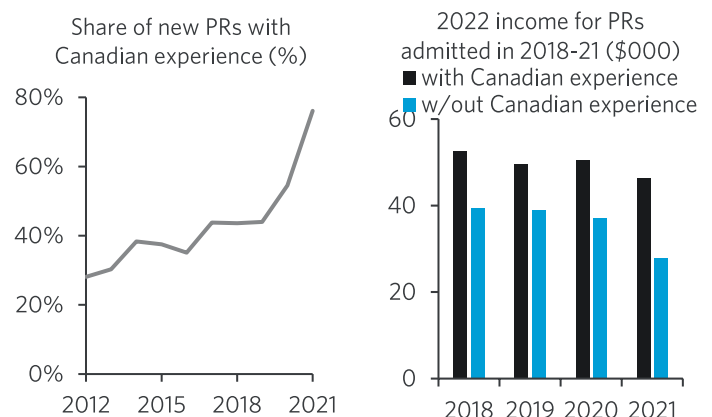
Source: StatCan, IRCC, CIBC

outperformance of new PRs with Canadian experience (Chart 5).

The narrative is well known. Immigrants need time to adjust to the new environment and slowly, with time will improve their earnings and economic contribution. However, the combination of the rising share of PRs living in Canada already, and those abroad with Canadian experience, combined with the rising share of economic class PRs, is challenging that historical experience. Today, PRs have a much shorter ladder to climb in order to close the wage gap with Canadian born.

Some numbers: The mean earnings of PRs filing taxes in 2022 that obtained PR in 2012 was \$45,100, and \$63,500 for an economic class principal applicant. Despite fewer years in the job market as PRs, those that obtained PR in 2018 had higher 2022 earnings. Those who arrived in 2020 had 2022 earnings of \$45,200 and \$62,300 respectively, despite having less than two full years with PR.

Chart 5: New PRs increasingly have Canadian experience (I), translating into higher incomes than those without (r)



Source: StatCan, IRCC, CIBC

Not only do those with work experience earn more, more quickly, but there are more of them. In 2012, only 28.1% of PRs had Canadian experience. Today, the share is well over 50%.

By far, across all immigration categories, those with both prior work and study permits had the largest earnings advantage among those with Canadian experience. As of 2022, those who obtained PR with prior work experience and study visas had no less than a \$23,600 earnings advantage over those without Canadian experience.

What about skills?

Unsurprisingly, economic class applicants who received PR in recent years had a higher share in skill level A occupations than Canadian born. Notably, those accepted under the CEC (largely former non-permanent residents) were more likely to be in skill level O — management occupations and skill level A. These better outcomes were achieved in part due to the fact that there is a higher share in the economic class, and the CEC had Canadian work experience and/or credentials.

Among former study permit holders who attained their highest level of education in Canada and attained PR in 2016-2021, 39% studied STEM, 33% studied business and administration, and less than 5% studied in health-related fields.

The overall alignment of fields of study and occupations of PRs were higher among former students, and especially students who attained their highest level of education in Canada.

The surge in population growth in 2023/24 was too much of a good thing. The government response so far has been appropriate. Going forward, more focus should be put on the need to raise the share of “new arrivals” arriving from Canada. We estimate that the change in the mix of PRs has resulted in an additional \$5 billion of earnings between 2018 and 2021. The comparative positive economic contribution of within Canada arrivals along with the lower costs to accommodate them is a pathway for a more efficient and productive immigration system.

**Note: This article uses data from Integrated Trade and Economics.*

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