

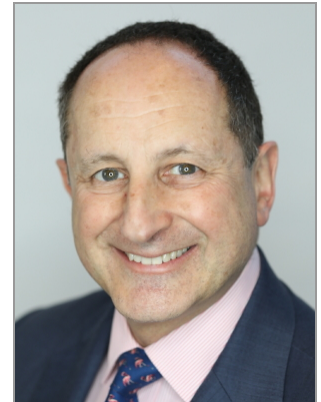


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Economists call for immigration reforms | Sergio R. Karas

By **Sergio R. Karas**

Law360 Canada (February 2, 2024, 8:55 AM EST) -- According to several economists, one of the contributing factors to the housing crisis gripping Canada stems from current immigration policies that have emphasized a large number of newcomers, both temporary and permanent. To tackle the housing shortage and combat inflation, the Minister of Immigration, Refugees, and Citizenship has announced a 35 per cent cut in international study permits for 2024 compared to the previous year. Despite this reduction intended to steady the growth of the international student population over the next two years, the decision to still approve 364,000 study permits for 2024 fails to make a dent in the pressing housing shortage.



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A CTV News report from Jan. 22, 2024, found that the number of international students granted visas surpassed 800,000 in 2022, a figure that in 2023 exceeded three times the number accepted a decade ago. The *Globe and Mail* reported that Canada hosted over one million international study permit holders in 2024. Current permit holders remain unaffected by the policy change announced. Study permits are typically granted for a period that varies between one to three years. With Ontario accommodating over half of the international student population and Statistics Canada reporting a total of 2.5 million non-permanent residents as of October 2023, this measure falls short in responding to the existing population and housing supply gaps in Canada's major cities. Statistics Canada also found that in 2022, Canada surpassed all other G7 nations in immigration growth, with a net increase of non-permanent residents estimated at 607,782.

Chief economists from Canada's largest banks convened in a panel on Jan. 11, 2024, to discuss the housing crisis. CIBC deputy chief economist Benjamin Tal highlighted the growing gap between the increasing numbers of non-permanent residents and Canada's existing infrastructure. Despite initiatives like the Housing Accelerator Fund, which aims to build 100,000 new homes by 2024, National Bank economists caution that Canada would need to double its construction capacity to meet demand — a prospect they view with skepticism. They argue that the country risks falling into a "population trap" impeding improvement in living standards due to rapid population growth. Advocating for an annual population growth cap of 300,000 to 500,000, they stress that the current influx of permanent and temporary residents is straining healthcare, affordable housing, and settlement services. If the current trajectory continues, the Canada Mortgage and Housing Corporation predicts that the country will require approximately 3.5 million additional homes by 2030 to restore affordability. This is impossible to attain.

It is particularly concerning that documents obtained by The Canadian Press reveal that two years ago, the government ignored warnings from public servants at Immigration, Refugees, and Citizenship Canada about the potential negative impact of increased immigration on housing and infrastructure. Despite these warnings, the federal government continued to pursue ambitious targets for permanent resident entries. While the government justified record-high immigration levels by citing an aging workforce and declining fertility rates, University of Waterloo professor of economics Mikal Skuterud challenged this rationale, contending that the benefits of mass immigration have been overstated. Skuterud further argues that the government has "lost control" over temporary migration flows, linking its increased permanent resident targets to a rise in temporary residents. *The National Post* suggested that a probable motive for the influx of international students in recent years has

been to appease educational institutions. The surge in international students has been linked to reduced provincial funding, making educational institutions reliant on their higher tuition fees, and contributing to the proliferation of for-profit “diploma mills.”

Experts caution that merely increasing the housing supply will not adequately address the housing crisis if immigration continues to drive population growth. The shortages have been influenced by factors such as stringent zoning policies, escalating mortgage rates, and unprecedented growth in rents with the fastest increase in four decades. According to CBC News, these conditions have been affected by international students and temporary workers, demographics that do not intend to purchase homes. RBC reports that major Canadian cities are currently “at or near worst-ever affordability levels in many markets.”

Restricting international student numbers alone may not solve housing shortages, but it stands as a crucial first step among many necessary measures to address the consequences of years of flawed immigration policies. Economists advocate for a more deliberate approach to temporary immigration, suggesting that the country must match the influx of people with its capacity to accommodate them. Canada should admit individuals whose skills align with domestic economic needs, particularly in construction labor and trades. It is high time for the government to prioritize the needs of Canadian residents rather than blindly pursuing population growth.

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