

Immigrant Access Fund Canada: 2017 Federal Budget Submission

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Empowering Skilled Immigrants for Employment through Micro Loans

Executive Summary

“The Government will make it easier for immigrants to build successful lives in Canada, reunite their families, and contribute to the economic success of all Canadians.”

-His Excellency the Right Honourable David Johnston, Governor General of Canada
Speech from the Throne, Dec. 4th 2015

The Governor General’s Speech from the Throne highlights that the success and integration of Canada’s newcomers is a national focus. Immigrant Access Fund Canada (IAF) is well positioned to achieve the Government’s objective of helping immigrants contribute to Canada’s economic and social success. A national organization serving immigrants across the country, IAF has developed a proven, evidence-based intervention to enable skilled immigrants (including refugees) to maximize their human capital and secure employment commensurate with their skills, education and experience.

Immigrants face many barriers to integrating into the Canadian labour market. Lacking the Canadian training or licensing they require to work in their field, many fall into unemployment or low paying “survival” jobs. With no or low income, they struggle to pay for the Canadian exams and/or training they require. Accessing credit from mainstream financial institutions is difficult due to their low/no income and lack of credit history in Canada.

IAF lifts the financial barrier for immigrants striving to gain their Canadian licensing/training by providing micro loans of up to \$10,000 to help them pay for exam fees, tuition and other expenses. When newcomers gain their Canadian licensing/training, Canadian employers benefit from an expanded pool of skilled workers, and the Canadian economy benefits from increased tax yields and savings in social programs. Since 2005, IAF has lent \$15 million to 2,400 newcomers. IAF has seen tremendous measurable outcomes including a 900% return on investment to the Canadian economy by raising the income of loan recipients by \$34,000 on average. Given the considerable positive benefit to Canada’s economy when IAF loan recipients obtain employment in their pre-migration field and the benefits of a more connected and engaged immigrant community, the IAF micro loan program is an effective vehicle through which the Government of Canada can in the success of our newcomers.

Recommendation: That in 2017 the Government of Canada make a one-time loan capital investment of \$12.6 million to support IAF micro loans to immigrants, and a three-year program delivery/infrastructure commitment of \$2.8 million (2017), \$3.9 million (2018) and \$5.5 (2019) for a total investment of \$24.8 million.

The Opportunity: Integration of Immigrants into the Canadian Labour Market

Recent population projections show that immigration will continue to be a major contributor to future demographic growth. Starting in 2031, more than 80% of this growth is projected to come from immigration, compared to about 67% currently¹. Immigrants to Canada tend to be ready to contribute and highly educated, with more than 40% possessing a bachelor's degree or higher compared to 17% among people who are Canadian born². Among the nine out of ten newcomers with credentials above a high school diploma, 82% held degrees in fields of study critical to Canada's economic vibrancy - from engineering to agriculture, biology, physics, mathematics and health sciences, as well as the humanities and social sciences. Two-thirds held professional jobs before immigrating to Canada; in management and business administration, natural sciences, health and education. A small number (12%) had blue-collar jobs prior to landing³.

In this context, it is clear that internationally trained immigrants using their skills and experience in the Canadian labour market can become a powerful driver to achieve Canada's full economic potential.

Juxtaposed with this opportunity, however, is a stark reality. Too often, internationally trained immigrants fall into poverty as they become stuck in unemployment or low paying "survival" jobs. New immigrants have both higher unemployment rates and lower wages than Canadian-born workers⁴, despite higher than average levels of education². Foreign credentials are slow to be recognized; after four years of landing in Canada, only 28% of newcomers with foreign credentials were able to get them recognized³. This disconnect between immigrants' skills/experience and their success in the labour market is a drag on the national economy. It has been estimated that if immigrants' observable skills were rewarded in a manner similar to that of Canadian-born workers, the increase in incomes would amount to \$30.7-billion or about 2.1% of GDP².

There are several social and systemic reasons for this disconnect, but one stands out as being particularly simple to solve: the financial barrier experienced by many to obtain their Canadian licensing and/or training.

In 2012, 24,000 newcomers in regulated professions and trades arrived in Canada⁵. Since 36% of immigrants encounter financial difficulty during the licensing process⁵, it can be conservatively estimated that 8,640 people every year across Canada need help paying for licensing/training. At intake, 72% of IAF borrowers earn \$23,999 or less; 43% are unemployed and 57% are in survival jobs or underemployed in their field. These are highly trained people in critical fields with good language skills, who are ready to enter the Canadian labour market in their field. They are languishing because they cannot access mainstream credit or save sufficient funds for Canadian licensing/training.

¹ <http://www.statcan.gc.ca/pub/71-606-x/2012006/aftertoc-aprestdm1-eng.htm>

² Desjardins, Dawn *Immigrant labour market outcomes in Canada: The benefits of addressing wage and employment gaps*. RBC Economics Research, 2011 <http://www.rbc.com/newsroom/pdf/1219-2011-immigration.pdf>

³ <http://www.statcan.gc.ca/pub/75-001-x/2010109/article/11342-eng.htm#a1>

⁴ Statistics Canada *Analysis of the Canadian immigrant labour market, 2008 to 2011*

⁵ Statistic provided to IAF by Employment and Social Development Canada 04/15

Current Funding

IAF has a unique funding model which engages both the public and private sectors.

The majority (85%) of IAF's core operating costs is funded by federal and provincial governments, currently:

- Immigration, Refugees and Citizenship Canada
- Ontario Ministry of Citizenship and Immigration
- Alberta Ministry of Labour (anticipated)

The remaining 15% is provided by the private sector through donations and grants from individuals and private foundations.

In addition to operating costs, IAF requires a significant loan capital pool from which funds are loaned to borrowers, paid back and recycled to other worthy recipients. IAF's loan capital pool is presently \$10 million, 28% of which has come from a grant from the Government of Canada. The remaining 72% has been accessed through donations, net interest paid by IAF borrowers (5%), and through a unique social finance model facilitated by RBC, IAF's national banking partner. High-net-worth individuals and private and community foundations sign guarantees to provide security against a \$6 million credit facility RBC has provided to IAF.

Growth Projections

IAF will approve 475 new loans and manage an average of 1340 loans in 2016/17. Based on the conservative estimates of the need for micro loans, this represents a mere tip of the iceberg – approximately 5.5% of the aforementioned 8,640 immigrants who cannot afford their Canadian licensing/training. Recognizing the tremendous opportunity to reach more newcomers and armed with the successful social, economic and tax revenue outcomes illustrated by Dr. Emery's study, IAF has embarked on a plan to achieve transformative growth—to approve no less than 2,200 loans each year.

Requested Investment

Annual Operating/Growth Funds

IAF leadership is requesting the Government of Canada to consider a long-term funding arrangement that would allow IAF a three-year period over which to scale the positive outcomes it has achieved for a decade. IAF is suggesting that the federal government cover 70% of the operating costs of the program, that provincial governments cover 25%, and the private sector 5%.

	2017-18	2018-19	2019-20	Ongoing
Target number of loans:	815 new 1750 managed	1315 new 2600 managed	2200 new 4100 managed	2200 new 4100 managed
Operating costs:	\$4,000,000	\$5,600,000	\$7,900,000	\$7,900,000
Federal Government Investment (70%)	\$2,800,000	\$3,920,000	\$5,530,000	\$5,530,000
Provincial Government Investment (25%)	\$1,000,000	\$1,400,000	\$1,975,000	\$1,975,000
Private Sector (5%)	\$200,000	\$280,000	\$395,000	\$395,000

Loan Capital

IAF employs a mixed loan capital model using both debt and equity. Presently, IAF's \$10 million loan pool is 60% debt. IAF accesses loan capital from a \$6 million credit facility with RBC which is secured by guarantees signed by individuals and foundations. This innovative social finance program has been extremely successful in growing IAF's pool of loan capital, but the cost of borrowing that capital is restricting the program's growth. And as the program scales, it is uncertain that the private sector can continue to bear the burden of that growth without foundational support from the government. IAF is aiming for a 30/70 debt to equity ratio.

	2017-18	2018-19	2019-20
Target number of loans	815 new	1315 new	2200 new
Net Loan capital required	\$2,000,000	\$4,700,000	\$8,500,000
One-time investment to achieve 30:70 debt/equity ratio	\$12,600,000		

Conclusion

The Governor General's 2015 Speech from the Throne speaks to the heart of IAF's vision: That skilled immigrants are equitably integrated into the workforce and contributing their expertise to Canada's economic and social success.

People arrive in Canada full of optimism and yearning to contribute. Many have the skills and capabilities to make significant contributions to our society and economy. Providing micro loans for immigrants' licensing/training is a proven, simple intervention that has life-altering outcomes.

The Government's vision of immigrants building successful lives in Canada and contributing to the country's economic success can be advanced through Immigrant Access Fund Canada.

For more information about Immigrant Access Fund Canada visit www.iafcanada.org.