

# Intelligence MEMOS



From: Pierre Fortin  
To: Labour Force Observers  
Date: March 21, 2025  
Re: **WHY MORE IMMIGRATION DIDN'T SOLVE CANADA'S LABOUR SHORTAGES**

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From 2015 to 2023, the federal government allowed immigration levels to increase fivefold, mostly through a significant rise in temporary immigration. By the end of 2024, Canada had three million non-permanent residents, representing 7.3 percent of the country's population – up from just 1.4 percent in 2015.

A key objective of this unprecedented policy shift was to reduce labour shortages in Canada's fully employed economy. So, did it?

In economics, everything is interconnected. The expanding pool of immigrant workers certainly helped employers fill their job openings by increasing the labour supply. But this increase in workers also boosted consumption and investment, thus driving up labour demand. So while rising immigration eased labour shortages for businesses that hired newcomers, the overall increase in economic activity that it enabled also intensified competition in other sectors.

What was the net outcome? In fact, rising immigration did not alleviate economy-wide labour shortages. The induced expansion in labour demand matched – and very probably exceeded – the initial increase in labour supply.

How do we know? Compare 2023 and 2019. Non-permanent migrants were 3.2 percent of the population in 2023, versus only 1.4 percent – so, more than double. Despite that, job vacancies were higher in 2023 than in 2019: 4.1 percent of labour demand, compared with just 3.2 percent in 2019. Thus, the raw data do not suggest that higher immigration alleviated labour shortages.

Of course, many different things are happening in the economy at any time. In 2019, only 7 percent of Canadians worked from home. Now 20 percent do. This may make it harder for employers to match candidates to job offers, which means the job vacancy rate will be “naturally” higher. The recent slowdown in aggregate economic activity has also clearly contributed to the decline in the vacancy rate in 2024.

In my recent [C.D. Howe Institute study](#), I aimed to disentangle the separate effects of the business cycle, the expansion of remote work and rising immigration on the extent of labour shortages.

A finer analysis of Statistics Canada data confirmed what the cursory comparison above suggests. From 2019 to 2023 the average immigration rate in the five provinces from Ontario westward to British Columbia increased twice as much as in the five provinces of Quebec eastward to Newfoundland and Labrador, but the average job vacancy rate increased more in the west than in the east. There is no evidence that more immigration has reduced economy-wide labour shortages; in fact, it likely has made them more severe.

The “common sense” inference that more immigration must lessen economy-wide labour shortages is wrong. What works for a single employer does not necessarily hold for the economy as a whole.

There are at least two major implications.

First, there should be no worry that the government's recent decision to reduce permanent and temporary immigration to more moderate levels will make labour shortages more acute. And, second, however honest the opposition of national business organizations to the government's reversal on immigration may be, it is in fact ill-advised. As public bodies, they should adopt a broader vision of immigration than one narrowly focused on the immediate private benefits accruing to their constituents. Immigration is not a private good but a global and transformative phenomenon. There is a need for a better balance in sharing its costs and benefits.

*Pierre Fortin, research fellow at the C.D. Howe Institute, is an emeritus professor of economics at the Université du Québec à Montréal.*

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