

Intelligence MEMOS



From: Tingting Zhang
To: Higher Education and Immigration Observers
Date: May 28, 2025
Re: **BEYOND THE CAP: SUSTAINABLY MANAGING INTERNATIONAL STUDENT GROWTH**

Canada's higher education sector is facing significant turbulence after the recent restrictions on international students, particularly the imposition of the study permit caps until 2025. The policy was intended to address legitimate concerns around housing affordability, healthcare availability, and rising unemployment, but the blunt implementation has created new challenges.

As Canada navigates this transition, we must ask: What comes next for its international student strategy?

The federal government's motivation for capping study permits was understandable. Rapid growth in international student enrolment – [tripling](#) over the past decade with colleges seeing a sixfold increase – combined with reports of exploitation and [fraud](#), necessitated intervention. Recent data shows that nearly [50,000](#) international students who received study permits never attended classes at their designated institutions, and the 2022 removal of work-hour restrictions had effectively turned study permits into [de facto work permits](#) for many.

However, the cap's one-size-fits-all approach has proved problematic. It fails to distinguish between responsible institutions and those with predatory practices, unfairly penalizing the entire sector rather than targeting bad actors. The broad approach does little to curb fraud and [exploitation](#). Education agents still have strong financial incentives, as some institutions scramble to meet their allocation quotas.

The cap also overlooks regional economic differences, disproportionately hitting provinces struggling with aging populations. In 2024, Prince Edward Island (down 39 percent) and Nova Scotia (38 percent) experienced the steepest drops in post-secondary study permit approvals. This is particularly concerning as nearly [half](#) of international students in Atlantic provinces remain after graduation, making them a crucial source of skilled labour.

Perhaps most troubling are the processing inefficiencies that have been exacerbated by the new system. Study permit [backlogs](#) have risen to 45 percent, well above the government's 24-percent operational target. A new provincial or territorial attestation letter (PAL/TAL) requirement has created communication gaps between IRCC and educational institutions, leaving many students in limbo. Long wait times and a lack of transparency are likely deterring prospective applicants: According to the 2024 Global Enrolment Benchmark [survey](#), visa processing delays were among the top reasons cited by universities for declining international enrolments. This year, IRCC plans to issue a total of [437,000](#) study permits, while 316,267 will be subject to PAL/TAL requirements.

As nations like Australia implement more targeted and strategic approaches, Canada risks losing its competitive edge. Australia has tightened [English-language requirements](#) for study permit applications, introduced a "genuine student" test, and applied additional scrutiny to high-risk student applications. Meanwhile, Canada has opted for a cap that fails to address the underlying issues.

Here are four recommendations:

Federal and provincial governments need to collaborate with institutions to develop a fairer permit distribution mechanism. If the current system is discontinued, policies should encourage responsible growth while preventing exploitative practices through factoring in institutional quality, support services, regional economic needs, and historical student outcomes.

Second, stronger compliance measures must be implemented to ensure students attend legitimate programs. Nearly one-quarter of study permit holders in 2019 were [not enrolled](#) in publicly funded institutions, which highlights the need for better oversight. Schools should also be required to collect and report graduation rates and labour market outcomes.

Third, Canada [needs](#) to review and strengthen the criteria for designated learning institutions (DLIs) authorized to host international students. Educational standards must be rigorous. At present, most provinces designate nearly all institutions – from universities to private career colleges – as DLIs. A more selective and strategic approach would reduce the total number.

Fourth, we also need to accelerate digital modernization to improve processing times and enhance data-sharing capabilities. Australia's Provider Registration and International Student Management System offers a model for centralized oversight and institutional accountability. A similar system could allow IRCC to track institutional performance, identify unethical recruitment practices, and provide timely application status updates. Educational institutions could also access data on contracted agents, along with study visa outcomes (including approvals, refusals, and invalid applications) to help identify reputable agents and flag unethical practices.

Above all, Canada's international education sector needs stability and certainty. The current cap is set to expire in December 2025, but institutions, students, and communities need to know what comes next. A long-term, sustainable strategy must balance system integrity with its need for skilled immigrants. The government should announce its post-cap plans well before the current policy expires. Such a strategy would recognize that international education is not merely an economic sector (contributing [\\$31 billion](#) to our economy in 2022) but a vital component of Canada's innovation ecosystem and immigration strategy.

Without this strategic approach, we risk long-term damage to our institutions, economy, and global reputation. The cap may have been necessary to pause and reset, but it cannot be the endpoint. Canada needs a value-driven international student strategy that maintains quality, integrity, and sustainability while continuing to welcome the world's brightest minds.

Tingting Zhang is a junior policy analyst at the C.D. Howe Institute.

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