Immigration as Economic Driver: An Analysis of the 2026-28 Immigration Levels Plan & 2025 Federal Budget

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On November 4, the federal government, led by Prime Minister Mark Carney, tabled both Budget 2025 and the 2026-28 Immigration Levels Plan. Notably, the levels plan was included as part of the federal budget (pages 95-98) rather than as a separate policy. This approach highlights Carney's focus on the Canadian economy and frames immigration as a core part of his economic plan. This plan largely aligns with the previous levels plan, tabled by Justin Trudeau's government in October 2024, but also makes some significant changes. It stabilizes permanent resident admissions at 380,000 while also dramatically cutting temporary resident admissions. It also shows an increased focus on economic immigration, especially for skilled professionals and in research and innovation. Between the budget and levels plan, Carney's government signals the need for austerity and efficiency in service provision while also stressing the importance of immigration as part of Canada's long-term economic vision.

Stabilizing Immigration, Growing Economies

The previous 2025-2027 Immigration Levels Plan represented a significant shift in the government's immigration strategy. Since the COVID-19 pandemic, the Liberal government had increased immigrant admissions to record high levels, with the 2024-26 plan projecting 500,000 permanent resident admissions in both 2025 and 2026. However, the 2025-27 plan broke with this approach. It reduced immigration levels considerably, cutting 2025 levels from a projected 500,000 to only 395,000 admissions, with decreasing admissions in subsequent years. For the first time, the plan also included temporary resident admissions, highlighting the government's commitment to reduce temporary residents from 6.5% to 5% of the population by 2026. Figure 1 compares projected immigration levels for 2022 to 2028.

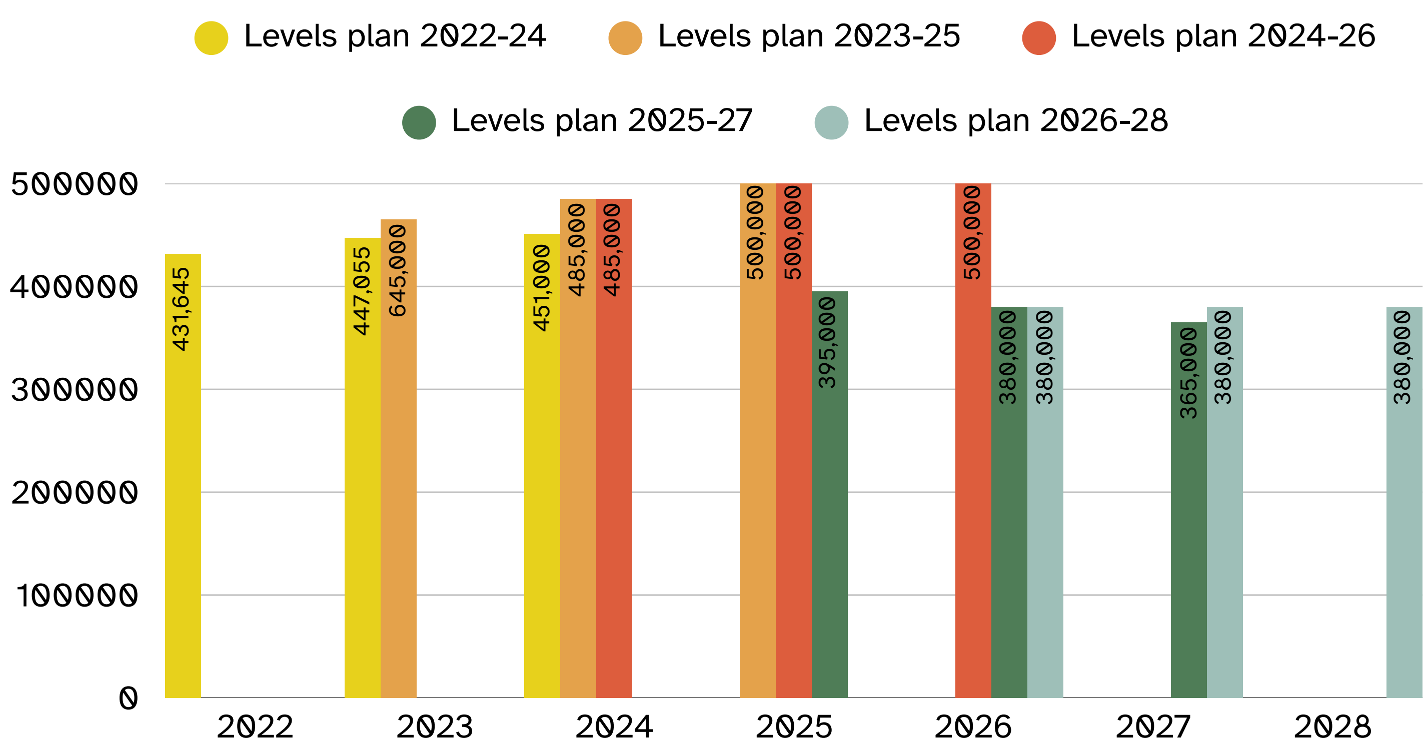

Figure 1: Projected permanent resident admissions for 2022 to 2028, according to immigration levels plans.

The 2026-2028 Immigration Levels Plan aligns with this strategy while also making important adjustments. Permanent resident admissions remain at 380,000 for 2026 – consistent with the previous plan – but are also projected to stabilize at this level in the coming years. This stability shows some sensitivity to the settlement sector's need for long-term planning; while the plan does not return to previous levels, stabilization provides the sector with the ability to anticipate capacity and funding. For Francophone immigration, the levels plan shows that the government is on track to meet the 12% target by the end of 2029. A more significant adjustment, however, is to temporary resident admissions. Whereas the previous plan projected 516,600 temporary resident admissions for 2026, the new plan dramatically reduces admissions to 386,000; temporary resident admissions will further decrease to 370,000 in the following years. These levels will particularly impact international students – cut from 305,900 down to 155,000 for 2026 – and thereby post-secondary institutions. Figure 2 compares projected temporary resident admissions for 2025 to 2028.

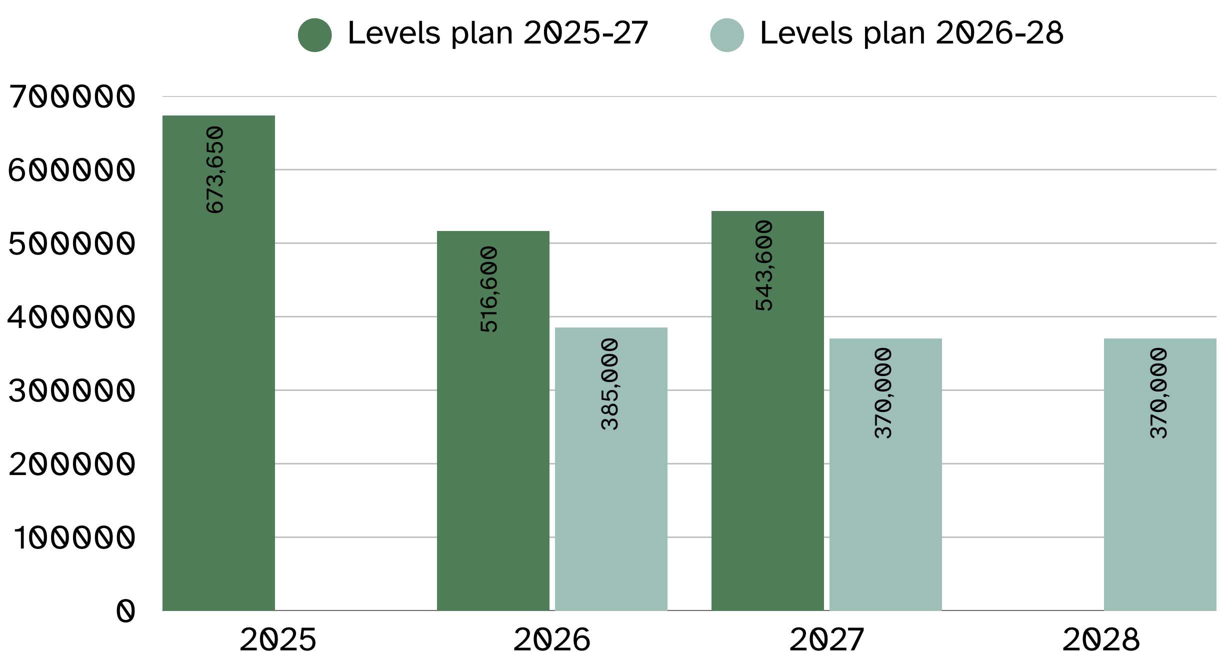

Figure 2: Projected temporary resident admissions for 2025 to 2028, according to immigration levels plans.

A noteworthy shift is the composition of permanent residents, namely a proportional increase in economic immigration. While the previous plan projected economic immigrants as 60% of admissions for 2026, the current plan increases economic immigrants to 63% of admissions in 2026 and 64% in 2027 and 2028. This shift comes at a cost to both humanitarian admissions and family reunification. As such, these levels reflect the government's hyperfocus on the Canadian economy and workforce. This is further reflected in the government's plan "to accelerate the transition of up to 33,000 work permit holders to permanent residency in 2026 and 2027" (Budget 2025, 97). Nevertheless, the plan also supports humanitarian migrants through "a one-time initiative to recognize eligible Protected Persons in Canada as permanent residents over the next two years" (96). Ultimately, the increased focus on economic immigration may have less of an impact in Atlantic Canada, which already admits a higher-than-average proportion (by province) of economic immigrants. In 2024, economic immigrants represented 80% of admissions in Newfoundland and Labrador, 91% on Prince Edward Island, 82% in Nova Scotia, and 88% in New Brunswick (Open Government).

Budget 2025 focuses heavily on the economic impact of immigration, which it will leverage by supporting professionals while enhancing research and innovation. The government will support improved foreign credential recognition for internationally trained professionals, with particular emphasis on the health and construction sectors. This support includes "$97 million over five years, starting in 2026-27, to Employment and Social Development Canada to establish the Foreign Credential Recognition Action Fund" (98). Similarly, Budget 2024 (60) previously proposed $50 million over two years towards foreign credential recognition in these sectors. New to Budget 2025 (99), however, is a commitment to research and innovation through the recruitment of international talent. This approach proposes a long-term strategy worth $1.7 billion, which includes: $1 billion over 13 years to accelerate the recruitment of research chairs; $400 million over seven years to support research infrastructure for research chairs; $133.6 million over three years to attract international doctoral students and post-doctoral fellows; and $120 million over 12 years to recruit international professors. This spending signals a long-term vision of Canada as an innovation leader and the intent to "advance our global competitiveness and contribute to the economy of the future" (99).

Impact on the Settlement and Integration Sector

The federal government has proposed several changes to Immigration, Refugees and Citizenship Canada (IRCC) that will impact the settlement and integration sector. The budget proposes "15 per cent in savings over three years [for IRCC] while upholding the government's long-standing commitment to resettle the world's most vulnerable" (311). The increased focus on economic immigration suggests further funding cuts, since settlement allocation funding is tied to immigration levels as well as permanent resident categories; for example, IRCC receives less funding for economic class immigrants than refugees. Apart from funding cuts, a proposed limit to program eligibility for economic immigrants is the most noteworthy change. While the plan does not specifically mention other immigrant classes, the government is currently considering other limitations to program eligibility. Budget 2025 also proposes "streamlin[ing] its internal services – using technology to improve productivity, reducing the number of external consultants and investing in internal capacity, and reevaluating human resources requirements" (311). These changes suggest that the settlement sector can expect to see decreased funding – though perhaps not too drastic – as well as shifting expectations and requirements for service provision.

Through Budget 2025 and the 2026-2027 Immigration Levels Plan, the federal government presents a long-term vision of Canada and its economic growth, with immigration playing an important role. The levels plan begins with the national "promise" that Canada has and will continue to welcome immigrants who "contribute to our prosperity" as a nation (95). It proceeds to describe an immigration system that is increasingly "harder to manage" and which requires a return to "sustainable" levels. This narrative, which was also adopted by the Trudeau government, is problematic in that it shifts blame for systemic issues in healthcare and housing onto immigrants and especially temporary residents. Carney's government reconciles this tension – between the demand for foreign talent and unmanageable admissions – with a commitment to lower but also more stable immigration levels. For service providers, this is mixed news. On the one hand, it suggests that the sector's rapid growth over recent years is over, with service providers returning to a more "manageable" size through continued funding cuts. On the other hand, it provides a degree of predictability that is essential to build the sector's long-term capacity. It may be necessary for the sector to pivot towards different services and support, for example by focusing on economic immigrants and internationally trained professionals. While the sector will continue to experience growing pains (or rather contractions) in coming years, it may find some comfort in knowing that it will continue to play a vital role in the current and future economic health of Canada.

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