

IMMIGRANT INCOMES AND CREDIT

Immigrants arrive in Canada without a credit history, but loans may be necessary to finance recertification and licensing. Affordable loan services are one way to address the high cost of using their skills in Canada.

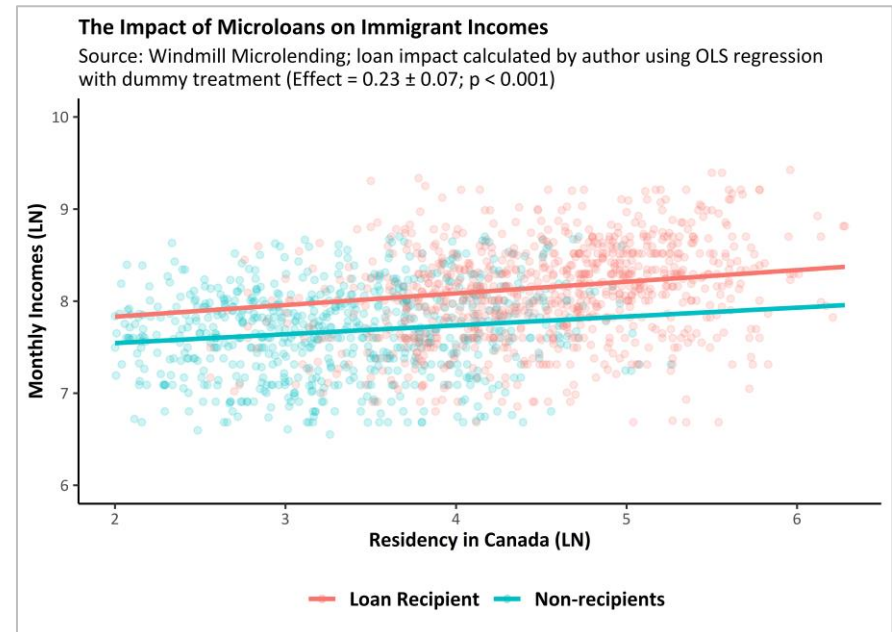
Immigrants to Canada [earn more](#) the longer they live here. Their incomes are also influenced by factors including official language fluency, immigration category, and racial discrimination. In this article we address one factor – access to affordable credit.

Immigrants consume [almost half of their savings](#) in moving to Canada. This can leave little leftover to pay for recertification or licensing fees. Newcomers with professional accreditations earned outside Canada who cannot recertify or become licensed on their arrival often find work that is not [commensurate](#) with their training. This is a loss to both immigrants and those born in Canada who might benefit from their skills. Small, low-interest loans, or “microcredit” [may be one way](#) to achieve faster certification.

The figure on the right shows data from [Windmill Microlending](#), a registered charity providing microloans to immigrants. The dots represent the income of immigrant loan recipients (red) and non-recipients (green) measured against their time in Canada. The lines show the average rise in pay for immigrants the longer they live in Canada. On average, loan recipients receive a 26% increase in income following disbursement and experience a faster rate of increase in income over time.

Immigrants who financed their re-training, re-location, or licensing fees saw higher relative incomes, equal to a 26% raise. Without this financing, however, they lag other newcomers and the Canada-born population.

An immigrant who can finance their recertification or credentialling will earn approximately \$8,000 more per year than non-recipients. Without financing, however, they lag both loan recipients and the general immigrant population. This finding suggests the significance of barriers faced by immigrants in the labour market. The rise



in wages after receiving a microloan shows that the problem is with high licensing fees, accreditation, and lack of credit, rather than with immigrants specifically or their skills. Invited to Canada because of their skills, they are unable to use them without external support. Access to affordable credit helps correct for these barriers, and allows newcomers and long-term Canadians to benefit from their education and training.

As Canada relies on a greater number of immigrants to replace falling fertility rates, ensuring labour market access will help newcomers enjoy higher incomes and allow others to benefit from their skills. Microfinance is one option that provides newcomers with funds to achieve their labour market potential. Other options include public policies that address licensing, credentialling, and the mismatch between these and Canadian objectives around immigration.