



# PEOPLE-CENTRIC ECONOMIC DEVELOPMENT

Lessons on International Student Retention  
from Atlantic Canada

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BY SEAN SPEER



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# EXECUTIVE SUMMARY

**The shift from a goods-producing economy to an intangibles economy is contributing to more economic clustering in and around our major centres and the de-industrialization of smaller, rural, and remote places. Regional economic disparity is thus anticipated to rise in Canada due to these structural changes to our economy.**

Previous efforts to support people and places affected by regional economic disparity have tended to be rooted in redistribution in the form of equalization and Employment Insurance, as well as labour mobility in the form of tax incentives or training subsidies. There has been a political and policy aversion to more active and targeted efforts to catalyse economic activity in the affected communities.

Yet the magnitude of the current economic trends and their accompanying political fallout has caused economists and policy experts to revisit the role of place-based economic strategies to support investment and employment in underperforming communities. There is a growing sense across the political spectrum that to remain inactive is not an option in the face of worrying economic and political trends.

Place-based policies carry risks, however, including the potential for cronyism, distortions, and inefficiencies. The track record of “regional development” schemes in Canada and elsewhere is mixed at best.

Past research produced by the Public Policy Forum<sup>1</sup> has observed the importance of rooting place-based strategies in human capital rather than so-called “anchor firms.” Companies may come and go but a critical mass of talented, dynamic, and entrepreneurial people will continue to produce economic value in their communities.

The question then remains: how do these places attract such people?

The good news is they already are. Canada’s post-secondary institutions are attracting hundreds of thousands of international students each year and a considerable number of them are pursuing studies in places undergoing economic transitions such as Cape Breton, Moncton, and Thunder Bay.

Leveraging this massive supply of human capital into prospective permanent residents to Canadian cities, particularly ones facing economic distress, represents a possible contribution to a people-centric economic development strategy for Canada. But student retention is hardly assured. It requires greater operational and policy coordination among different levels of government, post-secondary institutions, businesses, and civil society.

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<sup>1</sup> Robert Asselin and Sean Speer, A New North Star: Canadian Competitiveness in an Intangibles Economy, Public Policy Forum, 2019. <https://ppforum.ca/wp-content/uploads/2019/04/PPF-NewNorthStar-EN4.pdf>.

Universities and colleges have attracted these students into their communities. The responsibility to encourage them to stay and contribute to the local economy and society cannot be solely devolved to these institutions. It must be a collective effort.

This is not merely a theoretical observation. Regional and local experiments are underway that represent models that can be adopted elsewhere in the country. Atlantic Canada in particular is pursuing a coordinated model with the goal of retaining a much higher share of international students who come there to study. Early signs are positive and thus illustrative for the rest of the country.

Other provinces should learn from the Atlantic Canadian model and adopt similar operational and policy regimes as part of their own efforts to attract and retain international students. Best practices should be shared with the Atlantic region and the rest of the country. The retention of international students can form a key pillar in a broader agenda to catalyse long-term, sustainable economic activity in rural and economically distressed communities across the country. Think of it as a people-centric, place-based programme for Canada.



# INTRODUCTION

A new essay by post-secondary policy expert Alex Usher raises questions about the extent to which a focus on international students may harm Canadian post-secondary institutions' commitment to local or community-oriented missions.<sup>2</sup> It is a legitimate concern. Dedicating too much attention and resources could come at the expense of domestic students and community engagement.

Yet a focus on international students and a community orientation may not be completely incompatible.

Even as Canadian universities and colleges need to keep a careful eye on this potential tension as they undergo a process of "internationalization"<sup>3</sup>, the retention of international students can form a key pillar in a broader agenda to catalyse long-term, sustainable economic activity in rural and economically distressed communities across the country. There is scope for the two priorities to reinforce each other.

Think of it as a people-centric, place-based programme for Canada. But this requires greater policy coordination among different levels of government and post-secondary institutions

The good news is that regional and local experiments are underway that represent models that can be adopted elsewhere in the country. **Atlantic Canada, in particular, is pursuing a coordinated model with the goal of retaining a much higher share of international students who come to the region to study. Early signs are positive.**

Other provinces can learn from the Atlantic Canadian model and adopt similar operational and policy regimes as part of their own efforts to attract and retain international students.

Such a programme would learn the lessons from past experiences with place-based policies. It would not be about using public subsidies or one-off incentives to attract firms to distressed communities. This model has tended to be a fleeting form of economic development. Instead a people-centric strategy would be rooted in cultivating a critical mass of talented, dynamic, and entrepreneurial people as a source of durable, long-term economic development for rural and economically distressed communities. International students in Canada's universities and colleges can form a key basis for such strategy and Atlantic Canada's effort to date can serve as template for policymakers elsewhere in the country.

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<sup>2</sup> Alex Usher, "Do we want our universities to be local or international?," Policy Options (IRPP), September 6, 2019. <https://policyoptions.irpp.org/magazines/september-2019/do-we-want-our-universities-to-be-local-or-international/>.

<sup>3</sup> Joe Friesen, "In Cape Breton, a dramatic rise in international students has transformed a school and a community," Globe and Mail, October 6, 2019. <https://www.theglobeandmail.com/canada/article-how-the-world-came-to-cape-breton-university/>.

## WHAT IS PLACE-BASED POLICY?

Place-based policy targets underperforming areas or communities such as economically distressed regions. The underlying idea is that the market's allocation of resources is not producing enough economic activity in these places. Public policy can potentially play a role in pushing the market to direct greater investment and employment and in turn improve their economic performance.<sup>4</sup>

Place-based policies can sometimes assume different nomenclature. Canadian governments, for instance, have tended to characterize them as “regional development.” The Atlantic Canada Opportunities Agency, Western Economic Diversification Canada, and the Federal Economic Development Initiative for Northern Ontario are federally-led examples. Many regions and municipalities also have provincial and local community economic development agencies.

Irrespective of what such an agenda is called, the basic premise has been with us for several decades.

Place-based policies have regularly been met with skepticism by policy scholars due to the risks of cronyism, market distortions, and inefficiencies. Previous experiments with such policies had, by-and-large, been viewed as having a mixed record. Studies such as a 2003 C.D. Howe Institute report by Jack Mintz and Michael Smart highlighted evidence of rent-seeking, politicization, and overall ineffectiveness of the regional economic development model in Canada.<sup>5</sup> The result of such analysis led to a tendency on the part of economists and policy experts to focus instead on people-based policies (such as income support programming) and labour mobility policies (such as grants, loans, or tax expenditures for moving expenses).

It is fair to say, however, that place-based policies are generating renewed interest in public policy circles.

A recent high-profile paper co-authored by Benjamin Austin, Larry Summers, and Ed Glaeser is one intellectual example.<sup>6</sup> The Trump Administration's enactment of the Opportunity Zones model in the United States is one practical example.<sup>7</sup>

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<sup>4</sup> For more on place-based policies, see David Neumark and Helen Simpson, “Placed-based policies,” NBER Working Paper, 20049, 2014. <https://www.nber.org/papers/w20049.pdf>.

<sup>5</sup> Mintz and Smart, Brooking no Favourites: A New Approach to Regional Development in Atlantic Canada, December 2003. [http://homes.chass.utoronto.ca/~msmart/commentary\\_192.pdf](http://homes.chass.utoronto.ca/~msmart/commentary_192.pdf).

<sup>6</sup> Austin, Summers, and Glaeser, Saving the Heartland: Placed-Based Policies in 21<sup>st</sup> Century America, Brookings Institution, 2018. [https://www.brookings.edu/wp-content/uploads/2018/03/3\\_austinetal.pdf](https://www.brookings.edu/wp-content/uploads/2018/03/3_austinetal.pdf).

<sup>7</sup> Author unknown, Briefing book: What are Opportunity Zones and how do they work?, Tax Policy Center, date unknown. <https://www.taxpolicycenter.org/briefing-book/what-are-opportunity-zones-and-how-do-they-work>.



**Over 60 percent of Canada's economic output and national employment comes from cities with 500,000 residents or more**

The reason that place-based policies are the subject of renewed interest is a growing recognition of the regional economic disparity produced in the modern economy. The transition from a goods-producing economy to an intangibles economy (rooted in intangible assets such as intellectual property and data) is creating what economists refer to as “agglomeration effects.”<sup>8</sup> This is a complicated way of describing the growing tendency for economic clustering in a small number of major urban centres. Think of Silicon Valley or Boston or New York.

The market's efficient allocation of resources is pushing more and more investment and economic activity to these places and neglecting regions and communities elsewhere in the country. Just consider for instance that today more than 60 percent of Canada's economic output and national employment comes from cities with 500,000 residents and more. That puts us above the OECD average but even this is incomplete. Toronto is responsible for roughly 20 percent alone.<sup>9</sup> And its share is growing given the intangibles economy's tendency towards what urban scholar Richard Florida has called “winner-take-all urbanism.”<sup>10</sup>

This trend of agglomeration is amplified by a process of labour market sorting. Canada's urban/rural populations are increasingly marked by economic self-selection through in- and out-migration. As the economy places a greater emphasis on credentials, the wage bonus for higher levels of education keeps going up and is causing people with in-demand aptitudes and credentials to cluster in a small number of major centres. The result is a growing economic bifurcation rooted in place. American scholar Will Wilkinson calls it a “density divide.”<sup>11</sup>

Major urban centres only get richer and more dynamic as a result. But the places that these people have moved from experience a negative feedback loop of stagnation and decline.

The role of education is thus key to understanding rising regional economic disparity. The educational wage premium in Canada is significant. The median income for working-age men with a bachelor's degree is one-

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<sup>8</sup> Marco R. Di Tommaso, Daniele Paci, and Stuart O. Schweitzer, “The geography of intangibles,” Working Paper

<sup>9</sup> OECD, “Cities and regions at a glance – Canada, 2018. <https://www.oecd.org/cfe/CANADA-Regions-and-Cities-2018.pdf>.

<sup>10</sup> Richard Florida, The New Urban Crisis, Martin Prosperity Institute, date unknown. <http://martinprosperity.org/media/Canadas-New-Urban-Crisis.pdf>.

<sup>11</sup> Will Wilkinson, The Density Divide: Urbanization, Polarization, and Populist Backlash, Niskanen Center, June 6, 2019. <https://www.niskanencenter.org/the-density-divide-urbanization-polarization-and-populist-backlash/>.

third higher than those with only a high school diploma.<sup>12</sup> These higher returns for educational credentials exacerbate spatial inequality in Canada which is home to the largest urban/rural education gap among OECD countries.<sup>13</sup>

The upshot is a growing economic divergence between Canada's urban centres and its rural areas. Rural places are falling behind across a range of economic and labour market indicators. Just consider, for instance, that **employment in rural areas has still not rebounded from the 2008-09 recession, while it has since climbed by more than 13 percent in larger centres.**<sup>14</sup>

These secular trends in Canada and elsewhere have therefore caused politicians and policy scholars to focus on how to catalyse economic activity outside of major centres. It involves an implicit recognition that the market will not on its own produce enough employment and opportunity in underperforming places and that labour mobility may be a necessary yet insufficient response.<sup>15</sup> There is an increasing view across the intellectual and political spectrum that there may be a need for public policy to step in and push the market to produce broader opportunity in rural and economically-distressed communities.

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<sup>12</sup> Statistics Canada, "Does education pay? A comparison of earnings by levels of education in Canada and its provinces and territories," Census in Brief, November 29, 2017. <https://www12.statcan.gc.ca/census-recensement/2016/as-sa/98-200-x/2016024/98-200-x2016024-eng.cfm>.

<sup>13</sup> Sean Speer, *Forgotten People and Forgotten Places: Canada's Economic Performance in the Age of Populism*, Macdonald-Laurier Institute, August 2019. [http://macdonaldlaurier.ca/files/pdf/MLI\\_Speer\\_ScopingSeries1\\_FWeb.pdf](http://macdonaldlaurier.ca/files/pdf/MLI_Speer_ScopingSeries1_FWeb.pdf).

<sup>14</sup> Sean Speer, *Forgotten People and Forgotten Places: Canada's Economic Performance in the Age of Populism*, Macdonald-Laurier Institute, August 2019. [http://macdonaldlaurier.ca/files/pdf/MLI\\_Speer\\_ScopingSeries1\\_FWeb.pdf](http://macdonaldlaurier.ca/files/pdf/MLI_Speer_ScopingSeries1_FWeb.pdf).

<sup>15</sup> Richard Florida, "Why some Americans won't move, even for a higher salary," City Lab, May 30, 2019. <https://www.citylab.com/life/2019/05/moving-location-new-city-how-much-cost-mobile-rooted-stuck/590521/>.

# THE CASE FOR A PEOPLE-CENTRIC STRATEGY

The renewed interest in place-based policies does not change the risks associated with them. They can still be prone to some of the downside risks described above. It is also the case that Canada's system of interregional fiscal transfers already involves considerable spatial redistribution in the form of Equalization, Employment Insurance, and other redistributive programs.

Further efforts to push back against the market's growing tendency to agglomeration will require careful policy planning, design, and implementation. The risk otherwise is that policy interventions fail to produce better outcomes and may even cause large unintended consequences. Good intentions are not enough. Place-based economic revitalization needs well-designed policies with a reasonable probability of success.

A recent conference hosted by the Federal Reserve Bank of Boston sought in part to identify the right conditions and design features of an effective place-based policy.<sup>16</sup> The evidence seems to point in favour of neutral policies (not focused on a particular firm or industry) that provide scope for community-based experimentation involving the private and non-profit sectors and incorporate ongoing evaluation.<sup>17</sup>

There are various place-based policy designs that are worth exploring. The Opportunity Zones model in the United States, for instance, may have applicability for the Canadian market.<sup>18</sup> There is also potential for the federal government's Super Clusters Initiative to be refocused as a regional development tool.<sup>19</sup>

But, as was explained in [A New North Star](#), there is a strong case for rooting any place-based agenda in human capital.<sup>20</sup> Research finds a positive relationship between a jurisdiction's level of human capital and its

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<sup>16</sup> Federal Reserve Bank of Boston, "A House divided: Geographic disparities in twenty-first century America," 63<sup>rd</sup> Economic Conference, October 4 and 5, 2019. <https://www.bostonfed.org/housedivided2019/agenda/>.

<sup>17</sup> David Neumark, "Place-based policies: Can we do better than Enterprise Zones?," Presentation (Federal Reserve Bank of Boston), October 5, 2019.

<sup>18</sup> Author unknown, "What are Opportunity Zones and how do they work?," Tax Policy Center Briefing Book, date unknown. <https://www.taxpolicycenter.org/briefing-book/what-are-opportunity-zones-and-how-do-they-work>.

<sup>19</sup> Matthew Seddon and Saad Usmani, "Superclusters: Lessons and Opportunities for Canada," Brookfield Institute for Innovation and Entrepreneurship, April 2017. <http://brookfieldinstitute.ca/wp-content/uploads/Superclusters-Lessons-Opportunities-for-Canada-BIIE-ICP.pdf>.

<sup>20</sup> Robert Asselin and Sean Speer, *A New North Star: Canadian Competitiveness in an Intangibles Economy*, Public Policy Forum, 2019. <https://ppforum.ca/wp-content/uploads/2019/04/PPF-NewNorthStar-EN4.pdf>.

**More than 40 percent of Toronto's working-age population (aged 25 to 64) has a bachelor's degree or higher, Halifax's rate is 35.2 percent, and Cape Breton's is only 17.1 percent**

overall economic performance.<sup>21</sup> The same goes for regions<sup>22</sup>, communities<sup>23</sup>, and individuals.<sup>24</sup> The evidence of a positive relationship between human capital and competitiveness is similarly powerful.<sup>25</sup>

Take Silicon Valley as an example. Its core strength as an innovation hub is its critical mass of talented, dynamic, and entrepreneurial people. Firms start there, locate there, and grow there because of its rich supply of people. Other people, in turn, migrate there because of a region's or city's dynamism, opportunity, and rewards. This positive feedback loop produces what is known as a "network effect" whereby the convergence of talent drives and shapes more and more innovation. One

analysis attributes 70 percent of the value of Silicon Valley's technology sector to these network effects.<sup>26</sup>

This insight has important policy implications for the design of place-based policy. Research shows that policies that target individual firms (sometimes called "anchor firms") have not generally proven to be effective—particularly over the long-term.<sup>27</sup> A more durable model is to focus on cultivating more human capital in underperforming places. Firms will invariably come and go due to a host of factors, but a critical mass of talented, dynamic, and entrepreneurial people can produce larger and more lasting spillover effects. Put differently: it is more valuable over the long-term to attract people like Jeff Bezos to a community than it is to be the winning bidder for a second Amazon headquarters.

Cultivating a more educated workforce is especially important in light of evidence that Canada's distressed communities tend to have lower levels of educational attainment than more dynamic centres. Just consider that more than 40 percent of Toronto's working-age population (aged 25 to 64) has a bachelor's degree or higher, Halifax's rate is 35.2 percent, and Cape Breton's is only 17.1 percent.<sup>28</sup> It is self-evident that the first

<sup>21</sup> World Economic Forum, The Global Human Capital Report, 2017: Preparing People for the Future of Work, 2017. [http://www3.weforum.org/docs/WEF\\_Global\\_Human\\_Capital\\_Report\\_2017.pdf](http://www3.weforum.org/docs/WEF_Global_Human_Capital_Report_2017.pdf).

<sup>22</sup> Diebolt, C. and R. Hippe. July 28, 2018. The long-run impact of human capital on innovation and economic development in the regions of Europe. *Applied Economics*, 51:5, p. 542-563.

<sup>23</sup> Abel, J. R. and T. M. Gabe. July 2008. Human Capital and Economic Activity in Urban America. Federal Reserve Bank of New York. Staff Report no. 332. Revised February 2010.

<sup>24</sup> Wilding, C. and M. Hillier. April 15, 2013. How human capital drives Canada's cities. *The Globe and Mail*.

<sup>25</sup> Martin, R. June 2011. Canada's innovation imperative. The Institute for Competitiveness & Prosperity; and Whitehurst, G. J. June 2010. *Spurring Innovation Through Education: Four ideas*. Policy Brief, No. 174. The Brookings Institution.

<sup>26</sup> Currier, J. November 28, 2017. 70% of Value in Tech is Driven by Network Effects. NFX.

<sup>27</sup> David Neumark and Helen Simpson, "Do place-based policies matter?," FRBSF Economic Letter, 2015. <https://www.frbsf.org/economic-research/files/el2015-07.pdf>.

<sup>28</sup> Statistics Canada, Education in Canada: Key Results from 2016 Census. <https://www150.statcan.gc.ca/n1/daily-quotidien/171129/dq171129a-eng.htm>; and Statistics Canada, Education Highlight Tables, 2016 Census.

two are best positioned to participate in the intangibles economy where cognitive skills and related credentials are in high demand.<sup>29</sup>

What follows then is that policymakers should place human capital at the centre of any place-based strategies. One might even reframe it as a people-centric programme. The evidence tells us that this is ultimately the best means of helping to catalyse sustainable, long-term economic activity in Canada's rural and economically distressed communities.

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<https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/hlt-fst/edu-sco/Table.cfm?Lang=E&T=22&Geo=00&view=3&age=2&sex=1&SP=1>.

<sup>29</sup> Charles Hulten, "The importance of education and skill development for economic growth in the information age," NBER Working Paper, November 2017. <http://econweb.umd.edu/~hulten/files/the-importance-of.pdf>.

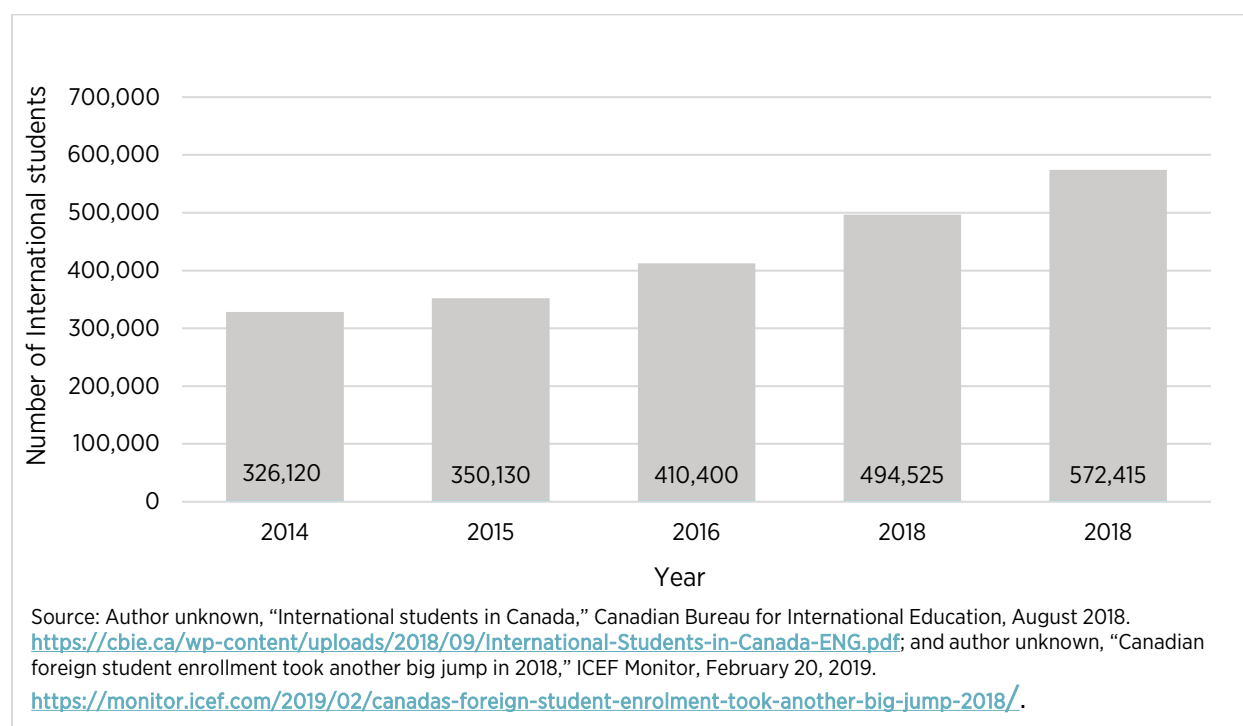
# THE RISE OF INTERNATIONAL STUDENTS IN CANADA

Growing attention to the potential for place-based policies has occurred by coincidence as the number of international students has significantly risen across the country as discussed in this section. Yet the two have not tended to be linked in the minds of policymakers until recently.

Statistics Canada's data show that the number of international students enrolled in Canadian post-secondary institutions has increased steadily for the past two decades. Their numbers have in fact increased at higher rate than that of Canadian students.

The number of international students holding Canadian study permits reached 572,415 in 2018. This was up from 492,545 in 2017 and reflects a 75% increase since 2014 (see Figure 1).<sup>30</sup>

**FIGURE 1: INTERNATIONAL STUDENTS IN CANADA BY YEAR, ALL LEVELS OF STUDY, 2014-2018**



<sup>30</sup> Author unknown, "Canadian foreign student enrollment took another big jump in 2018," ICEF Monitor, February 20, 2019. <https://monitor.icef.com/2019/02/canadas-foreign-student-enrolment-took-another-big-jump-2018/>.

More than half of these students originate from China and India. Most concentrate at post-secondary institutions in major urban centres.<sup>31</sup> One in five of the University of Toronto's undergraduate students, for instance, are international. The figure is one in three for Centennial College.<sup>32</sup>

But that does not mean that smaller or regional schools are not also competing for international students. The trend may be less marked relative to major centres but universities and colleges such as Memorial University, University of Prince Edward Island, and Cape Breton University have also significantly increased their international student enrollment. Cape Breton University, for instance, is now the national leader with an international student population that is roughly two-thirds of its overall student body.<sup>33</sup>

Why the rise in international students? Financial considerations are a major driver. Tuition rates for international students tend to be unregulated unlike domestic fees which are significantly restricted based on government directives. International students are therefore a significant source of revenues for large and small post-secondary institutions. Canadian universities and colleges are thus placing a significant emphasis on attracting international students whose fees are typically two to six times higher than domestic tuition.<sup>34</sup>

It is no surprise then that revenues from international students in Ontario, for instance, more than doubled from 2011-12 to 2015-16.<sup>35</sup> A spike in international enrollment has driven up Cape Breton University's institutional revenues by nearly 40 percent in the past year alone.<sup>36</sup> The federal government estimates that the overall contribution of international students (accounting for tuition, accommodation, and other expenses) exceeds \$21 billion annually.<sup>37</sup>

Data on international student enrollment and the financial impact on the Atlantic region can be trickier to find. But we do have data on new international student enrollment in the provinces over the 10-year period from 2006 to 2015. Prince Edward Island, Newfoundland and Labrador, and Nova Scotia had among the highest rates of growth in new enrollments over this period (see Figure 2).

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<sup>31</sup> Author unknown, "Over reliant on China and India, Canada plans to diversify international student pool," SI News, September 11, 2019. <https://www.studyinternational.com/news/international-students-canada-diversity/>.

<sup>32</sup> Josh Dehaas, "Why Ontario universities shouldn't rely on international students," TVO.org, August 15, 2018. <https://www.tvo.org/article/why-ontario-universities-shouldnt-rely-on-international-students>.

<sup>33</sup> Joe Friesen, "In Cape Breton, a dramatic rise in international students has transformed a school and a community," Globe and Mail, October 6, 2019. <https://www.theglobeandmail.com/canada/article-how-the-world-came-to-cape-breton-university/>.

<sup>34</sup> Joe Friesen, "In Cape Breton, a dramatic rise in international students has transformed a school and a community," Globe and Mail, October 6, 2019. <https://www.theglobeandmail.com/canada/article-how-the-world-came-to-cape-breton-university/>.

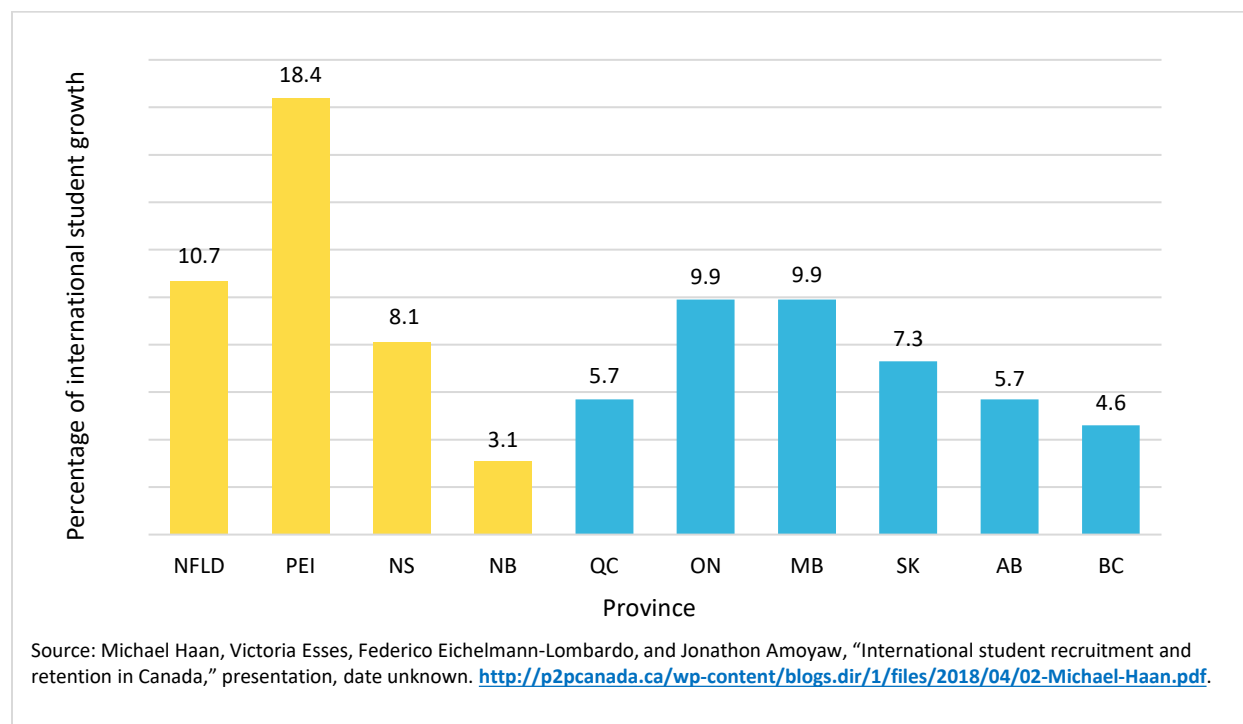
<sup>35</sup> Mike Crawley, "Universities grow more reliant on foreign student fees," CBC.ca, July 12, 2017. <https://www.cbc.ca/news/canada/toronto/international-students-universities-ontario-tuition-1.4199489>.

<sup>36</sup> Joe Friesen, "In Cape Breton, a dramatic rise in international students has transformed a school and a community," Globe and Mail, October 6, 2019. <https://www.theglobeandmail.com/canada/article-how-the-world-came-to-cape-breton-university/>.

<sup>37</sup> Government of Canada, Building on Success: Canada's International Education Strategy, 2019-2024. <https://www.international.gc.ca/education/strategy-2019-2024-strategie.aspx?lang=eng>.



**FIGURE 2: AVERAGE ANNUAL GROWTH IN INTERNATIONAL STUDENT ENROLLMENT BY PROVINCE, 2006-2015**



Recent estimates from a study produced on behalf of the Council of Atlantic Ministers of Education and Training are that the number of international students has grown by nearly 80 percent in the region since 2010.<sup>38</sup> More than 25,000 international students currently hold permits to study in Atlantic Canada and more than 14,000 are attending Atlantic Canadian post-secondary institutions this year.<sup>39</sup> This has a tremendous economic effect on the region. A 2017 study commissioned by the Council of Nova Scotia University Presidents, for instance, estimated that in-province spending by international students represented the province's fourth-largest export.<sup>40</sup>

The key takeaway is that Canada's post-secondary institutions—including universities and colleges—are increasingly attracting large numbers of international students each year and this is producing considerable immediate-term economic impact. The cumulative number of international students represents the

<sup>38</sup> Government of New Brunswick, "International students contribute significantly to the Atlantic economy," News Release, February 28, 2018. [https://www2.gnb.ca/content/gnb/en/departments/post-secondary\\_education\\_training\\_and\\_labour/news/news\\_release.2018.02.0220.html](https://www2.gnb.ca/content/gnb/en/departments/post-secondary_education_training_and_labour/news/news_release.2018.02.0220.html).

<sup>39</sup> Association of Atlantic Universities, "2017 international graduate study: The graduate experience – one year later," presentation, July 2017. <https://www.atlanticuniversities.ca/sites/default/files/documents/Website%20v.%20International%20Graduate%20Study%20FINAL.pdf>.

<sup>40</sup> Gardner Pinfold, Export Value of Nova Scotia Universities, November 2017. <https://www.atlanticuniversities.ca/sites/default/files/documents/CONSUPReports/University%20Export%20Value%20NS%202017.pdf>.

equivalent of Canada's tenth-largest city.<sup>41</sup> That is a massive yet loose agglomeration of human capital spread across the country, and most of Atlantic Canada is participating in this trend.

## THE PILLARS OF ATLANTIC CANADA'S RETENTION EFFORTS

It would be a mistake therefore, to think myopically about Canada's significant international student enrollment rate. It should not just be about padding the bottom lines of Canadian universities and colleges in the short-term. There is a strong case to think much more ambitiously. But this will require a stronger two-way conversation between post-secondary institutions and the communities in which they are located.

Thus far the growth in the number of international students has tended to be seen as mainly the purview of post-secondary institutions. Involvement from other levels of government has been secondary. The international student file has been viewed through the lens of strengthening and supporting universities and colleges and in so doing addressing potential budgetary shortfalls. International students have not been thought about as part of a broader economic agenda.

The flip side is also true. Universities and colleges have similarly not paid much attention to how they can leverage the rise of international students to bolster local economies. As Michael Haan, a sociology professor at Western University, has put it: "most universities in Canada have not traditionally thought of themselves as being part of the population growth machine. They have thought of themselves as being educational institutions."<sup>42</sup>

Canada's annual immigration intake for the economic class ranges around approximately 192,000.<sup>43</sup> The overall international student population is thus three-times as large as economic immigration targets. There is a strong case therefore to pay as much attention to student retention as we currently do for student attraction.

The good news is that this starting to change. There is a growing recognition that the spike in international students should be not merely seen as a means of addressing budgetary shortfalls for universities and colleges and that there is the potential to leverage institutional efforts to attract international students as part of a broader place-based agenda. As Professor Haan observes: "There is a demographic deficit across

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<sup>41</sup> Statistics Canada, Population and Dwelling Count Highlight Tables, 2016 Census. <https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/hlt-fst/pd-pl/Table.cfm?Lang=Eng&T=801&SR=1&S=3&O=D&RPP=25&PR=0&CMA=0#tPopDwell>.

<sup>42</sup> Holly McKenzie-Sutter, "Breath of fresh air: East Coast looks to international students to revive region," Canadian Press, December 18, 2018. <https://atlantic.ctvnews.ca/breath-of-fresh-air-east-coast-looks-to-international-students-to-revive-region-1.4222421>.

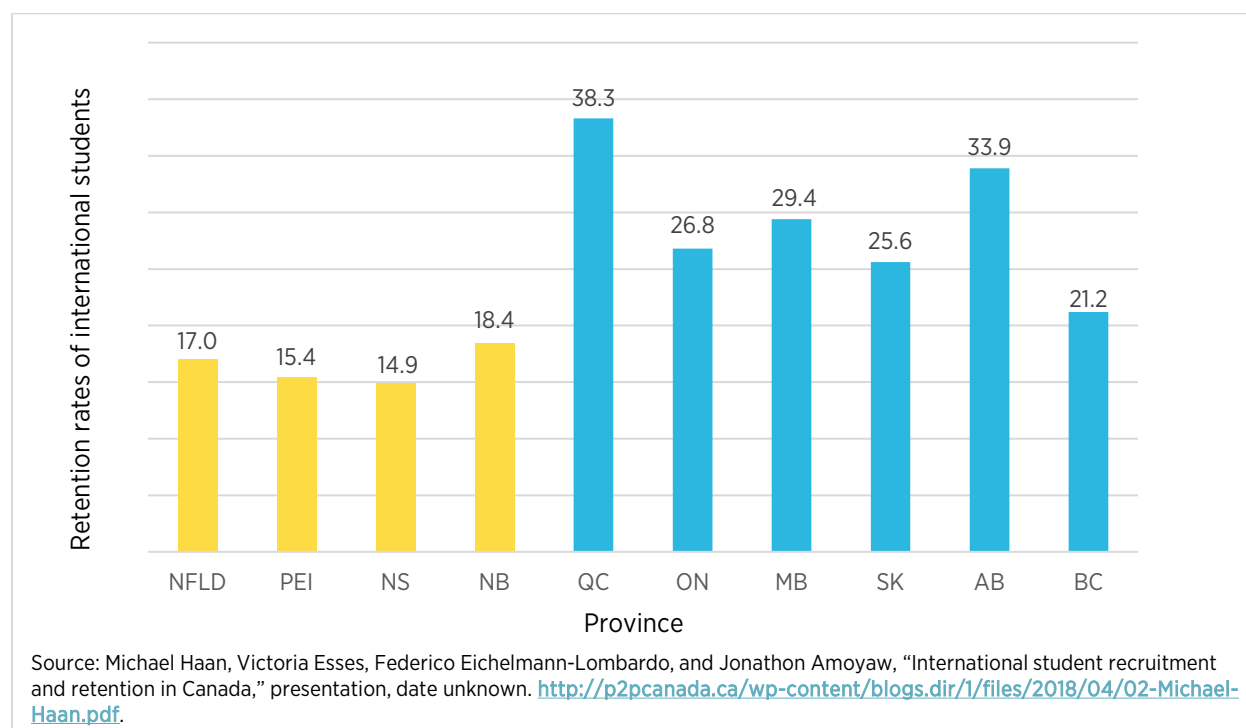
<sup>43</sup> Government of Canada, Notice – Supplementary Information 2019-2021 Immigration Levels Plan. <https://www.canada.ca/en/immigration-refugees-citizenship/news/notices/supplementary-immigration-levels-2019.html>.

Canada, but it is particularly striking in Atlantic Canada, so these international students are a potential part of a solution.”<sup>44</sup>

Think of it this way: these universities and colleges are attracting and educating people in these cities and towns who otherwise would not live there. They have in effect done half of the job of a people-centric programme. It is now up to these places—including government, business, and civil society—to finish it off and encourage them to stay.

The challenge is that Canada’s record on retention has not been as impressive as its record on attraction. The national average for retention (measured by filing taxes one year after completing schooling) was 27.4 percent for the period from 2004 to 2015. Quebec’s was the highest at 38.3 percent. Nova Scotia’s was the lowest at 14.96 percent. The Atlantic provinces cluster around the poorest records of retention over this period (Figure 3).

**FIGURE 3: AVERAGE ANNUAL RETENTION RATES OF INTERNATIONAL STUDENTS BY PROVINCE, 2004-2015**



Canada is not unique in this regard. Other jurisdictions such as the United States have experienced similar challenges. A 2014 Brookings Institution report found that 45 percent of international students who graduated were able to extend their visas to work in the same metropolitan area as their university of

<sup>44</sup> Holly McKenzie-Sutter, “Breath of fresh air: East Coast looks to international students to revive region,” Canadian Press, December 18, 2018. <https://atlantic.ctvnews.ca/breath-of-fresh-air-east-coast-looks-to-international-students-to-revive-region-1.4222421>.

college.<sup>45</sup> Yet a 2016 analysis by economist Giovanni Peri estimated for every 100 international students educated in a state, none were working in the state five years after graduating.<sup>46</sup>

The upshot is that a more effective operational and policy regime is needed to leverage the human capital of international students into prospective permanent residents as part of a people-centric, place-based strategy for rural and economically distressed communities.

Most Atlantic Canadian governments and post-secondary institutions are demonstrating national leadership on this file. They are the first to see the connection between international student attraction and retention and broader economic development goals. There was a recognition by post-secondary leaders, policymakers, and others in the region that the gap between attraction and retention needed to close if Atlantic Canada was to leverage international students as part of a place-based strategy.<sup>47</sup>

Identifying the opportunity was the first step. Understanding what informed and shaped students' choices about where to locate following graduation was the next one. And then, of course, developing a coordinated effort for retention—including post-secondary institutions, governments, businesses, and civil society—was the final one.

It has been a slow and deliberate exercise. But the early signs are positive. Atlantic Canada's experience can therefore be a salutary lesson for other parts of the country.

Understanding the data and literature on the factors that inform and shape students' choices about where to locate is key to designing an effective plan to encourage higher rates of retention. Atlantic Canadian post-secondary and regional governments conducted various surveys to better understand these issues. A 2017 survey of 2,081 international students in the region placed a significant emphasis on labour market considerations—namely, access to suitable employment—as their primary reason for leaving the region following graduation (see Figure 4).

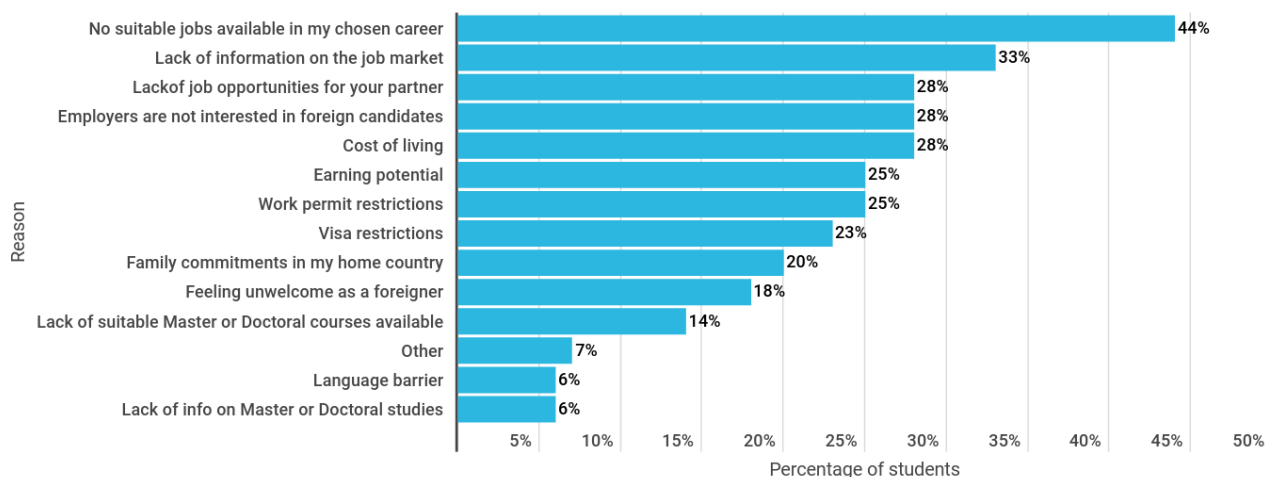
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<sup>45</sup> Neil Ruiz, *The Geography of Foreign Students in U.S. Higher Education: Origins and Destinations*, Brookings Institution, 2014. <https://www.brookings.edu/interactives/the-geography-of-foreign-students-in-u-s-higher-education-origins-and-destinations/#/M10420>.

<sup>46</sup> Giovanni Peri, Gaetano Basso, and Sara McElmurry, *Opportunity Lost: The Economic Benefit of Retaining Foreign-Born Students in Local Economies*, The Chicago Council on Global Affairs, 2016. <https://www.thechicagocouncil.org/publication/opportunity-lost-economic-benefit-retaining-foreign-born-students-local-economies>.

<sup>47</sup> Jennifer Wesman, "The road to retention: Study and Stay program helping Nova Scotia retain international students," Chronicle Herald, May 21, 2019. <https://www.thechronicleherald.ca/more/business-voice/the-road-to-retention-study-and-stay-program-helping-nova-scotia-retain-students-312324/>.

**FIGURE 4: FACTORS THAT CAUSE INTERNATIONAL STUDENTS TO LEAVE ATLANTIC CANADA, 2017** <sup>48</sup>



There are also challenges in navigating the immigration system—including the transition from a student visa to a work visa. Successive governments have taken steps to improve the system, but research still highlights a lack of settlement services, administrative complexities, and a lack of awareness on the part of international students.<sup>49</sup>

The final issue is what one might refer to as “soft” factors such as community links. One study, for instance, found that international students who had Canadian friends were nearly 1.5 times more likely to apply for permanent residency than those whose friends were limited to other international students.<sup>50</sup> Another found that a lack of professional networks in the community—what one might call “social capital”—is another barrier for finding work and social opportunities.<sup>51</sup> It is telling that a consultation with international students arranged by the Halifax Region Immigration Strategy found that 89 percent of students who had “developed strong social and community roots” intended to stay in the province.<sup>52</sup>

<sup>48</sup> Kelly Toughill, “Keeping international students in Atlantic Canada: EduNova’s big experiment,” Public Policy Forum, April 15, 2019. <https://ppforum.ca/articles/keeping-international-students-in-atlantic-canada-edunovas-big-experiment/>.

<sup>49</sup> Zaheer A. Dauwer, Assessing Canada’s Support of International Students: A Comprehensive Review of Canada’s Retention and Settlement of its “Model Immigrants”, Ryerson Working Paper, October 2018. [https://www.ryerson.ca/content/dam/rcis/documents/Dauwer\\_Z\\_A\\_\(2018\)\\_Assessing\\_Canada%27s\\_Support\\_of\\_International\\_Students\\_A\\_Comprehensive\\_Review\\_of\\_Canada%27s\\_Retention\\_and\\_Settlement\\_of\\_its\\_%22Model\\_Immigrants%22\\_RCIS\\_Working\\_Paper\\_No\\_2018\\_2\\_Ryerson\\_Centre\\_for\\_Immigration\\_and\\_Settlement.pdf](https://www.ryerson.ca/content/dam/rcis/documents/Dauwer_Z_A_(2018)_Assessing_Canada%27s_Support_of_International_Students_A_Comprehensive_Review_of_Canada%27s_Retention_and_Settlement_of_its_%22Model_Immigrants%22_RCIS_Working_Paper_No_2018_2_Ryerson_Centre_for_Immigration_and_Settlement.pdf).

<sup>50</sup> Victoria Esses et al., Retaining International Students in Canada Post-Graduation: Understanding the Motivations and Drivers of the Decision to Stay, Canadian Bureau for International Education, June 2018. <https://cbie.ca/wp-content/uploads/2018/06/Intl-students-post-graduation-RIB-8-EN-1.pdf>.

<sup>51</sup> Zaheer A. Dauwer, Assessing Canada’s Support of International Students: A Comprehensive Review of Canada’s Retention and Settlement of its “Model Immigrants”, Ryerson Working Paper, October 2018. [https://www.ryerson.ca/content/dam/rcis/documents/Dauwer\\_Z\\_A\\_\(2018\)\\_Assessing\\_Canada%27s\\_Support\\_of\\_International\\_Students\\_A\\_Comprehensive\\_Review\\_of\\_Canada%27s\\_Retention\\_and\\_Settlement\\_of\\_its\\_%22Model\\_Immigrants%22\\_RCIS\\_Working\\_Paper\\_No\\_2018\\_2\\_Ryerson\\_Centre\\_for\\_Immigration\\_and\\_Settlement.pdf](https://www.ryerson.ca/content/dam/rcis/documents/Dauwer_Z_A_(2018)_Assessing_Canada%27s_Support_of_International_Students_A_Comprehensive_Review_of_Canada%27s_Retention_and_Settlement_of_its_%22Model_Immigrants%22_RCIS_Working_Paper_No_2018_2_Ryerson_Centre_for_Immigration_and_Settlement.pdf).

<sup>52</sup> Zaheer A. Dauwer, Assessing Canada’s Support of International Students: A Comprehensive Review of Canada’s Retention and Settlement of its “Model Immigrants”, Ryerson Working Paper, October 2018.

Some of these issues and challenges can be addressed at the level of post-secondary institutions. But most cannot. This is an essential insight from Atlantic Canada's investigation into the factors that inform and shape students' decisions and in turn how to design an effective strategy for retention.

A key lesson is that the responsibility for retention cannot simply lie with the post-secondary institutions. Their primary mission is to attract students, provide them a good education, and enable a positive student experience. They have made a tremendous contribution by attracting these students to their communities in the first place and investing in their human capital. It cannot be their sole responsibility to achieve retention or deliver on broader economic development goals. This must involve a partnership with governments, businesses, and civil society.

## POLICIES AND PROGRAMS

In light of these considerations, the Atlantic provinces have adopted operational and policy regimes to support international students studying in their communities and to ultimately encourage them to stay as permanent residents. The regimes are a combination of separate, provincial-based initiatives, and joint collaborations involving the federal government. These common elements form the basis of an Atlantic Growth Strategy which is a multi-year strategy involving a partnership between Ottawa and the region's provincial governments and touching on different public policy levers including immigration, innovation, and export-related programming.<sup>53</sup>

One of the key elements of the growth strategy is the Atlantic Immigration Pilot which provides for a streamlined pathway to permanent residency for highly-skilled workers in general and international students in particular who want to relocate or stay in the region.<sup>54</sup> The basic parameters enable regional employers to identify prospective immigrants based on market needs and provide for faster process timelines.

The Atlantic Immigration Pilot seems to be showing early promise. As of October 2018, more than 3,000 job offers had been extended through the program with nearly half concentrated in New Brunswick.<sup>55</sup> Still most entered the high-skilled worker stream rather than recent-term graduate stream and so there have been calls for reforms—including extending the timeframe that students can apply to participate which the federal government recently adopted. It will be useful to continue to monitor the pilot program to determine if and how it may be extended to other parts of the country. The Northern Policy Institute, based in Thunder Bay,

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[https://www.ryerson.ca/content/dam/rcis/documents/Dauwer\\_Z\\_A\\_\(2018\)\\_Assessing\\_Canada%27s\\_Support\\_of\\_International\\_Students\\_A\\_Comprehensive\\_Review\\_of\\_Canada%27s\\_Retention\\_and\\_Settlement\\_of\\_its\\_%22Model\\_Immigrants%22\\_RCIS\\_Working\\_Paper\\_No\\_2018\\_2\\_Ryerson\\_Centre\\_for\\_Immigration\\_and\\_Settlement.pdf](https://www.ryerson.ca/content/dam/rcis/documents/Dauwer_Z_A_(2018)_Assessing_Canada%27s_Support_of_International_Students_A_Comprehensive_Review_of_Canada%27s_Retention_and_Settlement_of_its_%22Model_Immigrants%22_RCIS_Working_Paper_No_2018_2_Ryerson_Centre_for_Immigration_and_Settlement.pdf).

<sup>53</sup> See here for more on the Atlantic Growth Strategy. <http://www.acoa-apeca.gc.ca/ags-sca/eng/atlantic-growth.html>.

<sup>54</sup> Kelly Toughill, "Changes to Atlantic Immigration Pilot are praised, but more are needed," Public Policy Forum, date unknown. <https://ppforum.ca/articles/changes-to-atlantic-immigration-pilot-applauded-but-more-are-needed/>.

<sup>55</sup> Kelly Toughill and Yongmei Wang, "Atlantic Immigration Pilot by the numbers," Public Policy Forum, date unknown. <https://ppforum.ca/articles/atlantic-immigration-pilot-by-the-numbers-pr-admissions-lag-job-offers-and-work-permits/>.

for instance, has advocated for a similar initiative for Northern Ontario, which the federal government has recently launched.<sup>56</sup>

Nova Scotia's *Study and Stay* program is the best-known example of a coordinated provincial or regional undertaking to retain international students in the community in which they study.<sup>57</sup>

The program, which is managed by the non-profit collaborative EduNova, in partnership with the province's post-secondary institutions, provides a wide range of support services to international students in the province during their final year of study. The goal is to help these students acquire the skills and networks that will enable them to transition into the local or regional labour market. In particular, *Study and Stay* programming focuses on the following areas:

- Cultural and social adaptation
- Professional communication
- Networking and professional connections
- Career and labour market support
- Access to immigration resources and support
- Mentorship

The model has shown some promise since it was launched in 2016. It has targeted 50 international students per year, with a particular focus on students from China, India, and the Philippines. More than 80 percent of the original 2016 cohort is still in Nova Scotia which far exceeds the province's typical retention rate of roughly 15 percent.<sup>58</sup>

Its success seems to be rooted in the program's holistic and individualized model. The combination of "hard" and "soft" supports is purposefully targeting the various obstacles that cause international students to leave following graduation. A key driver, for instance, is the focus on building peer and professional networks off-campus and in the community.

EduNova is now expanding the program into PEI, New Brunswick, and Newfoundland and Labrador. The program will adjust to reflect the circumstances and needs of each of the provinces, but the basic parameters and functions will mirror the Nova Scotia model. In so doing it will build on some of the initiatives already underway in these provinces—including New Brunswick's ambitious population growth

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<sup>56</sup> Jamie-Lee McKenzie, "Positive reaction in Northern Ontario to federal immigration pilot program," CBC.ca, January 25, 2019. <https://www.cbc.ca/news/canada/sudbury/immigration-pilot-rural-northern-communities-1.4992070>.

<sup>57</sup> See here for more on Study and Stay. <https://studynovascotia.ca/study-and-stay/>.

<sup>58</sup> Shaina Luck, "More international students choosing to stay in N.S. after studies," CBC.ca, February 11, 2019. <https://www.cbc.ca/news/canada/nova-scotia/international-students-study-stay-ivany-report-1.5013009>.



strategy<sup>59</sup> and Newfoundland and Labrador's reforms to streamline transition to provincial nominees for its international students.<sup>60</sup>

The key point is that the Atlantic provinces are not being passive or expecting the region's post-secondary institutions to assume full responsibility for retention-related activities. It is a coordinated effort involving the post-secondary institutions, multiple levels of government, businesses, and civil society. This is an ambitious, collaborative, and bottom-up set of initiatives that are designed to give international students the skills and networks that they need to flourish in their adopted communities.

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<sup>59</sup> Government of New Brunswick, *New Beginnings: A Population Growth Strategy for New Brunswick, 2019-2024*. [https://www2.gnb.ca/content/dam/gnb/Departments/petl-epft/PDF/PopGrowth/Population\\_growth\\_strategy.pdf](https://www2.gnb.ca/content/dam/gnb/Departments/petl-epft/PDF/PopGrowth/Population_growth_strategy.pdf).

<sup>60</sup> Eman Katem, "Newfoundland gives select international graduates easier access to immigration," *Canada Study News*, December 21, 2017. <https://www.canadastudynews.com/2017/12/21/newfoundland-gives-select-international-graduates-easier-access-to-immigration/>.

# LESSONS FOR POLICYMAKERS

There are some key takeaways from the Atlantic Canada experience that can inform post-secondary leaders, policymakers, and community builders elsewhere in the country. It is worth highlighting three.

The first is that a successful model must be rooted in the evidence. It cannot merely involve hypotheses and assumptions on the part of policymakers in Ottawa or the provincial capitals or local business and civil society leaders who may not be able to relate to the international student experience. Glitzy announcements or arbitrary targets are bound to disappoint.

Policymakers must start by asking students about their experiences and what informs and shapes their choices. The truth is it is a multitude of factors—including “hard” and “soft” considerations—and an effective operational and policy regime will need to aim to address all of them. This requires the type of deliberative process that led to Nova Scotia’s *Study and Stay* program and is informing its expansion across the region.

This is easy to observe but can be challenging to execute. The political arena tends towards expeditious policies and high-profile announcements. But where Nova Scotia and now the other Atlantic provinces have been successful is by moving carefully, relying on trial and error, and rooting their programs in evidence. Other provinces and territories should resist the temptation for short-term “wins” and follow the same approach.

The second is that a successful model must be rooted in personal connections and relationships. Student retention cannot be achieved through websites, call centres or new “apps.” Persuading someone to indefinitely live away from their family and culture is not a low-cost, low touch undertaking. It can only be realized through lunches, phone calls, and individualized training. As the head of EduNova explains: “the ratio of student-to-staff support is what is so high. We have one dedicated staffer for the cohort of 50. It is a level of attention and support that is difficult to achieve in a different kind of format.”<sup>61</sup>

The implication is that a successful program cannot be delivered through a top-down model. It is about investing in individuals and their aspirations, goals, and even their fears. It means building community around these students with university and college officials, local business leaders, and the broader civil society playing a role. An intervention can be as formal and significant as language training and as informal and seemingly trivial as a telephone call during exams to see how someone is doing.

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<sup>61</sup> Sparrow McGowan, “Expanded programs aims to keep international students in Atlantic Canada,” University Affairs, May 15, 2018. <https://www.universityaffairs.ca/news/news-article/expanded-program-aims-to-keep-international-students-in-atlantic-canada/>.

**Persuading someone to indefinitely live away from their family and culture is not a low-cost, low touch undertaking**

Such a model cannot be legislated or prescribed. It requires broad buy-in at the community level. This is something that other provinces considering the model must understand. It requires an ambitious, collaborative, and ultimately bottom-up effort. We must see these students as people with common needs and concerns and in turn address them as people in our programming and services.

The final point is that policymakers must see this work as part of a broader economic development agenda. It is not about placating post-secondary institutions or demonstrating one's commitment to diversity. It is about the economic future of communities facing structural economic challenges.

Perhaps most fundamentally, it is a mistake to see the rise of international students and the need to catalyse economic activity in rural and economically distressed communities as separate and disconnected issues. They must be perceived as inter-related. Universities and colleges have attracted these students to their institutions. It is now up to policymakers and local leaders to leverage that human capital for their communities. As Nova Scotia's minister of labour and advanced education has put it: "[student retention] is a fundamental shift in how we do economic development."<sup>62</sup>

This is particularly important in light of increasing evidence of structural changes to Canada's economy. A growing recognition that the intangibles economy is producing agglomeration in a small number of large centres is contributing to renewed interest in place-based policies. But traditional place-based policies have not generally produced great results. We cannot just do more of the same of subsidizing marginal firms or directing public resources to politically connected organizations. Such an approach will not only invariably fail, but also harm public support and trust in the entire place-based enterprise.

A people-centric strategy may produce slower and less high-profile results than the immediate attraction of a new manufacturing plant or another type of industrial investment. There will still be a tendency among politicians to want to catch the proverbial whale or what is more commonly referred to as an anchor firm. But the evidence shows that, over the long-term, cultivating a critical mass of talented, dynamic, and entrepreneurial people will be more durable and sustainable.

We should therefore eschew what has not worked in the past and seek to translate Atlantic Canada's early successes to other parts of the country searching for new sources of economic activity. This will require, as the minister explains, a fundamental shift in how we do economic development. Canada's distressed

<sup>62</sup> Robyn McNeil, "At a glance: Should I stay or should I go? A look at graduate retention," The Guardian, May 7, 2019. <https://www.theguardian.pe.ca/news/now-atlantic/at-a-glance-should-i-stay-or-should-i-go-a-look-at-graduate-retention-308495/>.

communities certainly require help. The experience in Atlantic Canada suggests a people-centric, place-based programme can make a difference. International students represent roughly the equivalent of Canada's tenth-largest city. We should aim to leverage their human capital to serve the economic needs of their local communities and indeed the entire country.

