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Canada

Canada has a robust entrepreneurial ecosystem, including a network of innovation hubs, co-working spaces, campus-linked accelerators and other resources to support young entrepreneurs. With youth unemployment remaining relatively high compared to other age groups, entrepreneurship is often framed as an opportunity for young people to control their careers, working hours and expectations in a changing world of work.[1]

The Government of Canada's 2017 Budget announced the Innovation and Skills Plan, being "an agenda to build Canada as a world-leading innovation economy that will create jobs and grow the middle class."[2]

The good news is Canadian entrepreneurship is relatively healthy. Startup venture creation is high, and about half survive their first five years. However, Canada generates a lower proportion of fast-growing companies than other developed countries, and relatively few small businesses sell outside their local markets or export internationally, despite exports contributing to 30 percent of the country's GDP.[3] As a whole, Canada also struggles to attract and retain talent.

Canada is a trade-dependent economy in an increasingly global world. Canada needs to look at targeted interventions to attract skilled and entrepreneurial young minds from around the world and must work with other countries to ensure Canadian young entrepreneurs have opportunities to expand internationally.

In 2011, 44 percent of SMEs sold outside their local markets, but only **10 percent** exported internationally.[4]

Canada ranks **3rd** in the world in terms of the quality of entrepreneurship and entrepreneurial ecosystem.[5]

Visa programs currently available

There are several programs in Canada to support and attract young entrepreneurs.

Start-Up Visa Program

Fee: $1,050 processing fee and $490 right of permanent residence fee (not including cost of medical exam, police certificate, language testing and other associated fees)

Eligibility:

- This program grants permanent resident visas to foreign entrepreneurs who intend to operate a business in Canada that has received support of a Designated Organization. Support can come in the form of:
  - An investment of at least $75,000 from a designated angel investor group;
  - An investment of at least $200,000 from a designated venture capital fund; or
  - Acceptance into a business incubator program by a designated business incubator.
- Applicants must hold at least 10 percent of voting rights of the corporation. Up to five individuals who play an essential role in the qualified business may apply. Collectively, the applicants and the Designated Organization must jointly hold more than 50 percent of the voting rights attached to the qualified business at all times.
- Each applicant must meet English or French communication skills requirements, at least one year of post-secondary education, and sufficient funds to support themselves and any dependants who accompany them.

Work permits under the Start-Up Visa Program

Those who qualify under this program do not need to wait for the complete Permanent Residency application to be processed. A work permit application is also available under this category, which allows 'essential' entrepreneurs to the project to travel to Canada and legally work once the work permit is approved.

International Experience Canada (Working Holiday Visa)

Fee: $150 participation fee (no fees for submitting a profile) and $100 open work permit holder fee

Duration: 6-24 months, depending on the bilateral agreement and the Recognized Organization.

Summary:

- The International Experience Canada Program (IEC) grants young foreign nationals from countries that have an existing bilateral agreement with Canada or those accepted by a Recognized Organization an open work permit.
- An open work permit that is granted by the Working Holiday Program may allow for self-employment work under a newly-created Canadian corporation. However, the primary focus of the IEC is not to promote self-employment and the delegated officer reserves discretion for each case.
- Eligibility of candidates, including the permissible age range, validity periods and types of work permits, will depend on the specific bilateral agreement and the Recognized Organization.
- IEC is a three-step application process:
  - Eligible candidates must first submit a profile. Using these profiles, pools of eligible candidates for each country is created.
  - If the candidate's profile is accepted, a Letter of Invitation will be sent. Timing of the Letters of Invitation differs between countries.
  - Upon receiving a Letter of Invitation, the candidate can submit his or her application for a Working Holiday Visa.

Free Trade Agreements (FTAs)

Canada has signed multilateral agreements with several nations around the world. NAFTA, an agreement between Canada, the United States and Mexico, is the most well known. Canada recently signed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) with 10 other Trans-Pacific nations, and the CETA free trade agreement with the EU. Canada also has bilateral agreements with South Korea, Columbia, Chile and Peru.

All of these agreements hold legal provisions facilitating access to the Canadian work scene for certain professionals, traders/investors or those looking to invest in Canada.

Intra-Company 'privileges'

Duration: One year, with possible renewal.

Summary:

- For Entrepreneurs already established and operating in a country abroad (including substantial sales and employees in that country), Canada offers several facilitated options for Business Visitor visas and Work Permits, as long as the foreign enterprise (or owner) also possesses a related legal entity here in Canada.
- Under this program, transferees are permitted to work in Canada on a temporary basis.

Eligibility:

- Intra-company transferees may be eligible for a work permit if he or she
  - is employed by a multi-national company and seeking entry to work in a parent, subsidiary, branch, or affiliate of that enterprise;
  - is transferring to an enterprise that has a qualifying relationship with the enterprise with which he or she is currently employed and will be undertaking employment at a legitimate and continuing establishment of that company;
  - is being transferred to an executive or senior managerial position, or has highly-specialized skills essential to the Canadian operations; and
  - has been continuously employed by the transferring company in a similar position for at least one year.

Spotlight on young migrant entrepreneurs

Sharoon Thomas,
CEO and Co-Founder,
Fulfil.IO Inc.

Tell us how you ended up in the Canada to start Fulfil.IO.

The Start-Up Visa Program provided the support and confidence we needed to come to a new country, set-up shop and find success with the help of a very deep homegrown pool of Canadian talent.

Describe your experience navigating the visa system in Canada. What would be your one major recommendation to make the process easier?

We lost about three months of time through the application process. When you're moving a running company, three months is an eternity; especially for a start-up. Being productive each and every day is crucial to the long-term success and viability of the company, which is always the goal.

We would suggest immediately granting a six-month work visa while permanent residency is being sorted out. This way, when an entrepreneur arrives, they can get to work right away, start hiring and setting up instead of being in limbo during the initial process.

Interest of Canada

This lesser-known category can be quite useful for entrepreneurs having a strong reputation or background in their area of expertise and coming to Canada to either create or help maintain a business in Canada. The threshold is the interest of **Canada** (not of the entrepreneur), and the positive impact on Canada must be substantial and measured in economic factors, most notably, maintaining or creating jobs in the country.

Francophone stream

French-speaking professionals can now benefit from a facilitated Work Permit process enabling them to rapidly gain access to the Canadian labour market with a valid Work Permit, as long as the work is destined to happen **outside** of the Province of Québec. This permit is 'employer-specific' and generally does **not** permit self-employment. But once an operating business is created in Canada, this option can become an interesting strategy for any qualified French-speaking entrepreneur, as well as for any French-speaking professionals he or she may want to invite with him/her to play a key role in their business.

Owners-Operators

Business owners handling the day-to-day operations of their Canadian enterprise can qualify for this facilitated LMIA (i.e. labour market test but without the job postings and recruitment normally required). In order to qualify, business applicants/owners must demonstrate that for the entire duration of the employment:

- they have controlling interest in the business by:
  - being the sole proprietor, or
  - being a majority shareholder (hold a minimum of 50.1 percent of the shares), or
  - providing an official document to confirm that one shareholder has controlling interest
- they cannot be dismissed.

Express Entry

For those unable to access Permanent Residency via the Start-up Visa Program, the 'general' Immigration process in Canada is called 'Express Entry,' and allows anyone to signify their interest in immigrating to Canada permanently. If their profiles and backgrounds generate enough 'points', it is possible for them to become 'Invited' to apply and ultimately be granted Permanent Residency to Canada. Once a Permanent Resident, the applicant and his/her dependents can legally move to Canada, and launch a business or work in the country like any other citizen or permanent resident of Canada.

Points under the Express Entry Program are usually given based on the age, education level, prior ties or experience to Canada, and overall 'employability.' It is usually much more advantageous to already have a job offer and work permit to Canada before applying. But young candidates with higher education and at least two years of qualifying work experience may be interested in trying this option.

Provincial programs of interest

In addition to visa programs offered by the federal government, several provinces have instituted programs of their own.

- Québec Entrepreneur Program – Unlike other Canadian jurisdictions, Québec is responsible for the selection of business-related immigrants who wish to settle in the province. Through the Entrepreneur Program, entrepreneurs are granted permanent residence provided they:Have net assets of at least $300,000;
  - Have at least two years of experience running a profitable business within the past five years. The applicant must have held at least 25 percent of the capital equity in the business;
  - Demonstrate they:

    (a) Intend on starting a new business whereby the applicant will hold at least 25 percent of capital equity in a business with a value of at least $100,000. Applicant must manage the business themselves, or participate in its management and operations on a daily basis; or

    (b) Have acquired a business in Québec, with at least 25 percent of capital equity in a business with a value of at least $100,000. Applicant must manage the business themselves, or participate in its management and operations on a daily basis.
  - Employ on a permanent basis and for a minimum of 30 hours a week, a Québec resident other than themselves and accompanying family members, for at least one year during the three years after obtaining permanent resident status (agricultural entrepreneurs are exempt from this requirement).
  - Other factors that may be assessed include the applicant's age, language proficiency, education and training background, personal qualities, knowledge of Québec, and quality of business plan.
  - Applicants are strongly encouraged to make a market visit and work with Québec immigration professional to help develop the business plan and prepare for the selection interview.
- While other Canadian provinces and territories cannot govern the selection of migrant entrepreneurs for their own jurisdictions, they can nominate immigrants through their respective Provincial Nominee Program (PNP). These programs are aimed at attracting experienced entrepreneurs to invest in and manage new or existing businesses in the province. As each PNP is tailored to the needs of the province/territory, the eligibility criteria will differ accordingly.


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Lessons learned and best practices – A critical analysis

Canada, in many ways, is a leader in entrepreneurship-based immigration. Introduced as part of a national plan to encourage entrepreneurship, innovation and the movement of immigrant talent, the Canadian government launched a pilot Start-Up Visa Program (SUV) in 2013 before making it a permanent fixture in 2017.[6] While the SUV is lauded as a global benchmark, there is ample room for improvement. Moreover, to date, there is no program that specifically targets the needs of young entrepreneurs.

Application process and eligibility criteria

The application process for Canada's SUV is relatively straightforward, with easily accessible documentation. Canada's SUV program actively engages with industry leaders, in the form of Designated Organizations, to assist in the application process. As a first step, applicants must pitch their business idea and garner the support of an angel investor, venture capital group or incubator from a list of Designated Organizations. Applicants are primarily assessed on the merits of their business plans. Designated Organizations act as the initial checkpoint, which helps verify the quality and genuineness of the application. However, this strategy may also have unintended consequences, which is reflected in both the low number of successful applications and the low uptake by young entrepreneurs.

The challenge rests with the time it takes to move through the application process and the low number of accepted applicants. Immigration, Refugees and Citizenship Canada (IRCC) accepts 2,750 applications for the SUV each year.[7] Yet, only 113 applications were received between April 2013 and April 2016.[8] While high volume is not the goal of the SUV, the low number of applicants may serve as an indication of requirements that are too strict. By having to first successfully pitch to angel investors, venture capital groups or incubators, the process is slow from the outset. Even after securing financial commitment from a Designated Organization, the application must be assessed by the IRCC, which can take up to six months. The application process, in its totality, can take upwards of two years, making it unfeasible for many. The need to secure support from a Designated Organization can also eliminate early-stage entrepreneurs.

The low number of applicants, however, should not be regarded as low levels of interest in the program. Designated Organizations have consistently reported large numbers of unsolicited business proposals since the launch of the SUV. It has been reported that approximately 3,983 proposals were received by Designated Organizations between April 2014 and March 2015.[9] Overburdened by the volume of "low quality proposals", some Designated Organizations have had to adapt their review process to only evaluate proposals referred to them through business networks.[10] Therefore, the low number of applications received by the IRCC may, in part, be reflective of the filtering process, rather than entrepreneurs electing not to apply. On one hand, the use of Designated Organizations in the assessment process may help guard against disingenuous applicants and ensure the focus remains on accepting viable businesses. On the other hand, the modified assessment strategies of Designated Organizations (i.e. reviewing only referred proposals) may unintentionally remove high-quality young applicants who lack the social capital to obtain a referral. It is unsurprising to find then, that only 4 percent of successful principal applicants of the SUV involved entrepreneurs 18-24 years of age.[11] By focusing solely on the business idea, the human capital of entrepreneurs, such as their experience, skills and qualifications, are not given its due consideration. Thus, the program arguably falls short of addressing the stated purpose of the SUV, which is to facilitate the entry of innovative entrepreneurs.[12]

The current model also places most of the administrative burden on the Designated Organizations, making it unsustainable from a resource perspective. As previously described, many Designated Organizations have resorted to maladaptive coping strategies to reduce the number of applications that are formally reviewed. There is also growing concern over the lack of clarity around review criteria used by Designated Organizations.[13] This overreliance on a single point of assessment may also invite instances of abuse or misuse.[14] As acknowledged in a governmental review of the SUV, the IRCC does not have a clear mechanism to remove the designation role of any of the prescribed organizations in the event of non-compliance.[15] Therefore, a collaborative effort is desirable to ensure fairness and even distribution of administrative burden between private and public sectors.

There is also a distinct difference between industry leaders assessing the viability of a business plan and identifying a business plan in which they would personally invest. There are conceivably business plans the Designated Organizations acknowledge as worthwhile business ventures, but are ventures in which they are not personally interested in investing. Although the SUV is available to any proposed business that would encourage "innovation" in a broad sense, the vast majority of successful applicants—74 percent of the ventures—were concentrated in software development or sales.[16] Therefore, by limiting applications to only those projects that receive support from Designated Organizations, it restricts the types of businesses permissible under the SUV.

Finally, SUV applications may be cost-prohibitive for young entrepreneurs, particularly when additional expenses are considered, such as application fees for dependants and legal fees. Application fees are noticeably lower for the IEC program, suggesting there may be ways to reduce the cost of the SUV application to accommodate young entrepreneurs.

Renewal criteria

Young entrepreneurs in Canada benefit from a clearly-laid-out legal, tax and financial system. The process to register a business is simple, although care needs to be taken to ensure federal, provincial and municipal regulations are being met. One perceived advantage of Canada's immigration approach is that both the federal SUV and Québec Entrepreneur Program grant applicants' permanent residency. As a permanent resident, entrepreneurs and the family members that accompany him or her have the right to get most social benefits Canadian citizens receive, including health care coverage. Permanent residents are also permitted to live, work, or study anywhere in Canada; can apply for Canadian citizenship; and are protected under Canadian law. Especially since the SUV is now a permanent program, young entrepreneurs under this program enjoy a level of certainty with respect to their immigration status.

However, the vast majority of young entrepreneurs looking to try their luck in a new G20 market would benefit greatly from a more simplified and shorter-term mobility program, such as through the International Experience Canada (IEC) program their youth peers who are employed enjoy. The IEC program is dependent on more than 30 bilateral agreements between Canada and participating nations, and is unclear whether self-employment, by way of entrepreneurship, is permissible under the Working Holiday Visa Program. The work permit granted through IEC also explicitly states that it does not guarantee re-entry into Canada.

SUV holders, however, are not required to satisfy any post-arrival requirements. The SUV acknowledges the failure of a business will not affect the entrepreneur's permanent resident status. In recognizing not every business will succeed, entrepreneurs are likely better able to freely explore business ideas. This is in strict contrast to the Québec Entrepreneur Program, which requires entrepreneurs to create or acquire a business in Québec with at least 25 percent of capital equity in a business and a value of at least $100,000 within the first three years. Entrepreneurs must manage the business themselves, or participate in its management and operations on a daily basis. Entrepreneurs are also required to employ, on a permanent basis and for a minimum of 30 hours a week, a Québec resident who is neither the entrepreneur nor any accompanying family members. This job creation requirement may be problematic as it does not adequately consider the ramp-up time required for young entrepreneurs to get settled in a new country, start a business and generate a sufficient need to hire employees. Job creation requirements also do little to improve the quality of domestic employment. Failure to meet requirements set out by the Québec Entrepreneur Program within the first three years may result in removal. As such, Québec Entrepreneur Program participants do not enjoy the level of certainty, flexibility and predictability afforded to SUV entrepreneurs.

Mentorship and enforcement

As the SUV requires applicants to establish commitments from venture capital groups, angel investors or incubators, a mentorship strategy is naturally built into the program. Formal mentorship is not currently available for the Québec Entrepreneur Program or the IEC (Working Holiday Visa) Program. However, Canada is home to world-renowned academic institutions and a comprehensive start-up ecosystem. As such, there are numerous opportunities for external support. Despite this, as mentioned above, small businesses continue to struggle to scale-up.[17] Narrowly-focused on establishing a presence within their local markets, many young businesses do not engage in internationalization. (Seens, 2015) However, as migrant entrepreneurs are naturally positioned to export internationally, the provision of programs to facilitate such growth may help capitalize on this opportunity.

Accurate data collection is vital for effective policy-making and public confidence building. Yet, official sources of data do not appropriately capture information on the experience and progress of Canadian applicants.[18] As there is no formal data collection shared, it is difficult to monitorthe success of immigration policies moving forward.

G20 YEA recommendations

1. Early-stage entrepreneurs and young entrepreneurs with limited social capital should be enabled to pursue the Start-Up Visa (SUV) without needing to seek financial commitments from Designated Organizations.

2. Young entrepreneurs require more options to explore the Canadian market beyond the SUV. The Working Holiday Visa program should be expanded to include a category specifically for self-employed young people and should formally accept young entrepreneurs into Canada for the purpose of exploring business ideas, collaborating with domestic entrepreneurs and starting or growing a business in Canada. Conversely, these bilateral agreements would also ensure Canadian young entrepreneurs have access to more of the international opportunities they need.

3. The peer review process by Designated Organizations needs to be more transparent and procedurally fair.

4. Greater collaboration between public and private sectors is required to ensure that the administrative burden is evenly distributed and improves accountability.

5. The Québec Entrepreneur Program should consider alternative methods of performance assessment beyond job creation.

6. Implementation of a formal mentorship program provides a practical environment for observation and enforcement, in addition to aid in cultivating successful migrant young entrepreneurs.

7. Improved data collection and reporting such that best practices can be established.

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