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Toward Improving Canada's Skilled Immigration Policy: An Evaluation Approach

*Education=?
+Work Experience=?
+Language=?
+Assets=?
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Chapter
1

Introduction

The federal government's approach to immigration and the general international context of immigration have faced major challenges in recent years. Accordingly, this is an appropriate time to examine the operations and effectiveness of Canada's policies concerning the inflow of skilled immigrants. Media concerns have highlighted the worsening process of integrating newcomers to the Canadian economy, the large costs of forgone opportunities from not making full use of immigrants' skills, and the complexity and lack of transparency of the current system (see, for example, Paperny 2010; Wentz 2010). The media have also raised questions about the type of newcomers Canada should attract and what characteristics likely would lead to immigrants' success in this country (Mahoney 2010). These concerns come at a time when Citizenship and Immigration Canada has announced that, in 2010, Canada landed the largest number of new permanent residents in 50 years (Citizenship and Immigration Canada 2011). This year is also the 60th anniversary of Mabel Timlin's famous treatise, "Does Canada Need More People?" (1951) and the 20th anniversary of the former Economic Council of Canada's influential study on the "Economic and Social Impacts of Immigration" (1991), which first proposed a target rate for immigration of 1 percent of the population.

In terms of Canada's domestic environment, demographic and labour market conditions have dramatically changed since the 1990s. Canada's population and workforce are aging rapidly as birth rates remain below replacement levels, to the extent that immigration soon will account for virtually all Canada's labour force growth. Moreover, the eldest members of the babyboom generation are now reaching retirement age, and the resulting flood of retirees will lead to significant skills shortages that immigration will have to help alleviate.

At the same time, a 15-year period of economic expansion, which led to the tightest labour market in three decades and a shortage of skilled workers, gave way in 2008 to one of the worst recessions since the 1930s and sharply higher unemployment. In such a recessionary labour market, recent immigrants experience far higher rates of unemployment and underemployment than do non-immigrants. As well, the high Canadian dollar and ongoing globalization have led to a marked decline in the manufacturing sector, a traditional source of jobs for immigrants for many decades. There is also an ongoing shift toward a more complex, knowledge-based, skills-oriented economy, and the restarting of employment growth in manufacturing in 2010 has been concentrated in high-technology, high-value-added areas in which immigrants increasingly will have to fit. Many immigrants also must seek employment in the services sector, which traditionally is characterized by relatively lower average earnings levels than in manufacturing. A higher degree of earnings inequality likely will make it harder for immigrants to become integrated fully into the Canadian economy.

Indeed, the past two and a half decades have seen a marked worsening in the adjustment process of new immigrants as their earnings levels have dropped significantly relative to Canadian-born workers, the earnings gap between Canadian- and foreign-born workers has widened, and the catch-up interval between the earnings of immigrants and Canadian-born workers has lengthened. These results have come at the cost of fewer human resources and skills available to the Canadian economy, a potential threat to social cohesion, and the likely loss of skilled immigrants who choose to return home or move on to another country that they see as offering greater opportunities to get ahead.

The international environment for immigration has also been changing rapidly. Growing globalization and, until 2008, years of sustained economic growth in many parts of the world have led to growing international competition for skilled labour. The European Union, for example, recently introduced a “blue card” plan similar to the US green card program to attract skilled labour. A number of other countries, such as the United Kingdom, have recently adopted a point system as part of their effort to attract more skilled labour or are considering such a move (Spain, France, and Denmark). Germany has just announced an effort to attract highly skilled immigrants. Although Canada essentially invented the point system as a keystone of its immigration policy in 1967, that system no longer seem to operate as effectively as it does in, say, Australia, and long delays in the acceptance of immigrants’ applications typically occur. And the elephant in the room is the United States, which is now considering bringing in a point system of its own as part of a prospective major restructuring of its immigration policy.

Canada thus needs to respond nimbly to growing international competition for skilled labour or risk falling behind. Workers, particularly skilled workers, are becoming much more internationally mobile as economic opportunities change. The recent financial shock and severe economic recession in many developed economies offer a unique opportunity for Canada to attract skilled young immigrants from these areas. To do so, however, Canada needs to maintain its attractiveness and to replace the lengthy backlogs, complexity, and uncertainty in the current immigration process with a more effective, efficient, and transparent set of procedures.

Recent legislative changes and program developments in the immigration area highlight the need to re-examine the role and effectiveness of Canada's immigration system. In the past several years, the Temporary Foreign Worker Program, which admits largely less-skilled workers, has grown dramatically: between 2006 and 2010, more workers arrived under this program than under the regular Federal Skilled Worker Program, and indeed in 2010 the number exceeded that for all new immigrant arrivals together (Citizenship and Immigration Canada, 2011). This program sought to fill immediate labour market shortages that arose during the long period of economic expansion, especially in the western provinces, but does it make sense to continue the program in an era of relatively high unemployment? Perhaps there is now a need to re-examine the objectives of Canadian immigration policy and its shift to a more short-run, employer-driven economic emphasis. The 2008 Bill C-50, which revised the federal *Immigration and Refugee Protection Act*, also sought to reduce the backlog and speed up the processing of applications, particularly of skilled workers, and delegated substantial additional powers to the Minister of Citizenship and Immigration in pursuit of this aim. It is, however, unclear how these powers will be exercised and what effects they will have on the whole process. Ottawa also implemented a Canadian Experience Class program that makes it easier for foreign students enrolled in post-secondary programs and some temporary foreign workers already working in Canada to apply for permanent immigrant status. In addition, in 2008, Citizenship and Immigration Canada began to require skills-evaluated immigrants to fall into a set of specified occupations listed by the minister, thus shifting immigration policy more toward filling occupational gaps, a role it had played in the 1970s.

These major shifts in recent Canadian immigration policy and practices clearly show the change in the role immigration is viewed as serving. As a result, a tool or criterion now seems to be needed to evaluate how well different classes of immigrants are doing in the Canadian labour market. The purpose of the study, therefore, is to develop such a tool and apply it to an examination of how major policy levers relevant to Canada's skilled worker immigration program affect the earnings levels of workers shortly after their

arrival in this country. In developing a useful empirical framework for such an analysis, we provide an extensive survey of recent Canadian literature on immigrant earnings and outcomes. We also critically review recent changes to Canadian immigration policy in light of our criterion, and consider some alternative ways to address current immigration concerns.

The volume proceeds as follows. In Chapter 2, we present a brief history of Canada's immigration system, with a focus on skilled immigration and the point system, and offer an overview of the current structure and operation of the system. In Chapter 3, we review the evidence on major changes in the patterns of immigrants and foreign workers arriving in Canada. Together, these two chapters provide the necessary background material for the volume's core analytical contribution, presented in Chapters 4, 5, and 6. In Chapter 4, we summarize the findings of our recent study of the effects of the point system and major immigration policy levers on the skills characteristics of new arrivals. Then, in Chapter 5, we examine the implications of these results for the development of a tool with which to evaluate how newcomers are doing in the Canadian labour market, as well as the effects of immigrants' skills characteristics on their labour market earnings. In Chapter 6, we present the results of simulating several policy alternatives using an integration of the findings in the previous two chapters. Finally, in Chapter 7, we consider where Canada ought to go from here, and suggest some alternative proposals for reforming Canada's system for the immigration of skilled workers.