

Conversation Series

Selection of Economic Immigrants and Alignment with Labour Market Needs

Executive Summary

This Metropolis Conversation took place on March 30, 2006. Its intent was to examine the selection of economic immigrants and how to better align these processes with labour market needs. Participants discussed the link between immigration and labour market needs, the ability of the current selection system to provide Canada with immigrants to fill skill shortages and labour market gaps, as well as exploring “smarter” selection strategies that would facilitate the attraction, entry and retention of immigrants.

There was largely consensus on a number of issues, including the need to revisit Canada’s points system for skilled workers, to provide a larger role for employers, and to ensure that the system is balanced, responsive and flexible. Generally, it was agreed that the rationale behind the human capital approach remains valid and that the criteria contained in the points grid for skilled workers – language, education, experience and age, in particular – are appropriate. It was not suggested that these criteria be discarded. However, participants did suggest that there is a need to examine *how* these criteria are assessed, to make some adjustments or to add additional factors within each category. It was also noted that the process for changing the pass mark and the frequency with which this occurs could be revisited as a means of responding to problems of supply and demand.

Many commented that immigration is a package and that a variety of options should be explored. The Provincial Nominee Program, international students, and programs for temporary workers are potential complements to the system for skilled workers and might help respond to employers’ immediate needs. There was also a sense that this package must include integration programs and initiatives.

Participants noted the need to look more fully at what employers’ roles could be. The employers who participated indicated a willingness to explore options, such as employer sponsorship, as well as strategies that would result in a system that is more flexible and responsive to employers’ needs.

Metropolis Conversation Series

The Metropolis Conversation Series brings together researchers, public servants, policymakers and community leaders to identify and explore current public policy debates. Conversations are closed-door and highly-focused to promote candid exchanges. The gatherings are small and include carefully selected people who share common interests, but varying perspectives.

About Metropolis

The Metropolis Project is an international forum for comparative research and policy development on migration, integration and diversity. Metropolis aims to enhance academic research capacity, encourage policy-relevant research, and develop ways to facilitate the use of research in decision-making.

The Project involves governments, universities, international organizations and the non-governmental sector and is a partnership between researchers, policy-makers and communities in Canada and abroad. For information, please visit www.metropolis.net.

Context

This Metropolis Conversation looked at the selection of economic immigrants and aligning this with labour market needs. It was organized at the request of Human Resources and Social Development Canada and included participants from the research, policy, non-governmental, labour and private sectors. The Conversation was conducted according to the Chatham House Rule, which allows for reporting on the discussion, but prevents the identification of participants and the attribution of comments. This report provides highlights of the discussions, with particular emphasis on research findings, private-sector experiences and the possibilities for future policy development. Please note that the views expressed in this report are those of the participants and do not necessarily reflect the views of Metropolis or Human Resources and Social Development Canada.

The Conversation took place against a backdrop that includes the realities of an aging workforce, globalization and more intense competition for workers whether high-skilled or low-skilled, rising demand for workers in some sectors and in some parts of the country, including some demands that were largely not forecasted. How might we use immigration and foreign labour to address these challenges? How can we attract immigrants who will be successful in the labour market? What policies are needed to select those who will best fill existing gaps in our labour force? And what are the trade-offs of turning to immigration and foreign workers as a solution?

It was noted that recent policy and research have focused a great deal on integration policies and post-arrival initiatives such as language training and foreign credential recognition, which are intended to address the under-utilization of immigrants' skills and improve immigrants' integration and economic outcomes. It was recognized that such measures are vital, but the focus of this Conversation would be on selection. Many participants pointed to the promise of integration as a tool for attracting and retaining immigrants and insisted that integration is essential as part of a longer-term strategy. Indeed, one participant described a three-pronged approach that would include careful selection, an open and receptive society that is prepared to adapt and respond to immigration, and integration programs that address the inevitable challenges immigrants will face. Unless some attention is given to all three prongs, it is unlikely that there will be success; in other words, selection and integration cannot – and should not – be disentangled.

Selection, it was noted, is a matter of discretionary policy. Not all countries select immigrants, but Canada has decided that it will, and it will do so carefully. Consideration has been given not only to which immigrants are selected and what criteria will be used to select them, but also who will do the selecting; this may include governments, employers or others. Participants were asked if selection policies could be improved to ensure a better match between immigrants and the needs of the Canadian labour market, to increase their contribution to the labour market, and to result in better economic outcomes for immigrants.

The Link Between Immigration and Labour Market Needs

One of the assumptions underlying this Conversation is the idea that immigration is needed to address labour market needs, and participants were asked about the validity of this assumption. It was suggested that there is, in fact, a sufficient supply of labour to meet existing needs, but some Canadians simply choose not to work in the jobs available, at the wages offered, in the regions where employment exists. From this perspective, immigration should be considered a complement to our

existing workforce, and efforts are needed to mobilize those who are currently not working. Even so, others suggested that in spite of an available labour pool, those who are in this pool do not necessarily have the skills needed to fill the gaps that exist; there is, in other words, a mismatch.

Another participant suggested that the economy would survive without immigration. Further, it was suggested that immigration does very little to increase the per capita incomes of the host society, and thus is not needed if our only goal is to become wealthier. Some participants took issue with this assertion, insisting that the need for immigration should not be measured simply against its ability to make Canadians wealthier. Rather, immigration may bring cultural diversity, linguistic diversity or new ideas and perspectives, which are desired. Others talked about the need for immigration as a means of stabilizing or increasing the population. Others noted the conventional wisdom that immigration will address our aging population, but this was refuted; it was argued that Canada simply could not accept and process enough immigrants who would be young enough to significantly affect the age structure of our population.

In spite of these conflicting views, there was an acknowledgement that immigration should be used to assist in meeting our labour market needs. Many participants suggested that there are specific sectors that could benefit from immigration. Indeed, one employer noted the absence of professional engineers with 8-12 years of professional experience in his industry, while another pointed to a survey of small- to medium-sized enterprises (SMEs) in which labour shortages were cited as their biggest problem. An employer in the financial services sector noted that while they are not currently experiencing labour shortages, there is an expectation that this may change in the next five years. However, it was noted that it is difficult to foresee potential shortages, and often these are only evident when they attempt to hire and no suitable candidates come forward. It was noted by several participants that it is extremely difficult to forecast future labour needs, and this is a key challenge.

At the same time, another employer noted that, in some sectors, there is a sufficient pool of workers from which to draw, but employers need to more effectively locate talent, particularly within the immigrant community, as a way of diversifying their workforce and addressing shortages before they occur. Career Bridge was mentioned as one program that employers can use to identify potential employees; Career Bridge is an Ontario internship program that matches new immigrants to employers in non-regulated professions.

It was noted that one argument for restricting skilled immigration is to reduce the competition that Canadian graduates face. Indeed, one employer noted that immigration is really just 5-10% of the solution to their labour needs. Training, retraining, apprenticeships and recruiting Canadian graduates are their other approaches. Moreover, it was noted that smaller businesses may not have the resources to engage in overseas recruiting. Indeed, immigration is not necessarily a “top of mind” strategy for employers, and many do not see the immigration system as being “easy to use.” As a result, many rely on more traditional strategies, such as job advertisements or using their networks to identify potential employees, rather than considering recent immigrants or recruitment from abroad.

Aside from specific sectoral shortages, it was also noted that there are some jobs that Canadians simply do not want, and there are some employers who benefit from low-skilled and low-paid workers. Immigration may be attractive in these cases. Moreover, immigration may be needed in regions with declining populations to address labour shortages that may result from out-migration. It

was noted, however, that immigration is not a panacea, and out-migration is often a result of poor economic opportunities, which immigration may be unable to reverse.

Potential for Policy Intervention in the Current System

The Conversation then turned to the current selection system. While much of the discussion focussed on the points system for selecting skilled workers, it was recognized that many other immigrants – including business immigrants, provincial nominees, and live-in caregivers – are also selected, in some cases using some of the same factors used to assess skilled workers, but in other cases according to quite different criteria.

The present system for selecting skilled workers was introduced in the *Immigration and Refugee Protection Act* (2001) and came into effect in 2002. It is often referred to as a “human capital” approach because it emphasizes human capital characteristics, including education, language, age, arranged employment (ie. a “job offer”) and work experience, as well as factors related to adaptability. This system replaced an approach that focussed to a greater extent on in-demand occupations, which were often difficult to predict. It was noted that the new approach came into effect in 2002, so the number of immigrants who have entered under this new system is still fairly low, and thus we do not yet have data that would allow us to assess the effectiveness of the human capital approach. Participants were also reminded that only about 25 percent of all immigrants are assessed under the points system for skilled workers because only principal applicants in this class are subject to these criteria.

Which factors are, in fact, the “right” factors? It is not clear that the factors presently used to select immigrants are the most important factors, if there are additional factors that should be used in the selection process, or if the factors need to be weighted differently. Moreover, none of the factors is mandatory, and there was a sense that perhaps some should be.

The Pass Mark

One participant suggested that it is not necessarily the criteria that are a problem, but rather that the minimum number of points required for admission into the skilled worker stream – the pass mark – is simply too low to ensure the immigrants that Canada accepts will succeed economically. It was argued that an immigrant under the age of 49 with a high school education, basic fluency in one official language, work experience, and with some points for adaptability, such as having a spouse with a graduate degree or a family member in Canada, would meet the pass mark. Effectively, the only applicants who would be ineligible are those with no education and no official language ability, so it is the pass mark, not the criteria that act as the screen. As a result, it was suggested that perhaps more attention should be paid to the pass mark, and not just the criteria themselves.

Education

There was considerable discussion about the way in which points are awarded for education. Some questioned awarding points to those with only a high school education. It was also suggested that applicants with education above the high school level but below the university level (eg. trades certificates) should be admitted under a separate stream that would link their education to employer sponsorship or a job offer. Indeed, the employees that we need to fill particular shortages may not necessarily be admitted under the existing system; other types of programs or criteria may be needed. There were also suggestions to revise the factors for which points are awarded under education in the

existing system. Many supported a revision that would award points not only for level of education, but also for field of study to make the system more selective and responsive to labour market needs. It was asked whether points for education could be given not for the actual level attained, but rather for the Canadian equivalency. Others suggested awarding additional points for education obtained in Canada and perhaps even in the United States.

Experience

There was also considerable discussion of the points for experience, and there was some skepticism about the utility of awarding applicants points for this factor. This is because employers do not seem to value foreign work experience, and research indicates that those with foreign work experience are not rewarded for that experience in the Canadian labour market. There was support for a re-examination of this factor.

Age

Participants also suggested that the way in which points are awarded for age is not necessarily supported empirically. It is unclear why more points are not awarded to those under the age of 35, nor is it clear why 49 years of age has been selected as the age after which applicants begin to lose points. If the aim is to improve economic outcomes and labour market earnings, it was agreed that more points should be given to younger immigrants. Participants agreed that there is a clear public finance argument for selecting younger immigrants; younger immigrants will work for more years before retiring and collecting a pension, and this was judged to be a persuasive rationale.

Language

There was the suggestion that greater attention needs to be given to the assessment of language ability. It was noted that our process for determining language ability likely underestimates just how much facility one needs in English or French in order to be successful in the labour market. Moreover, a language test is required only of principal applicants who come from countries where English or French is not the first language; applicants who choose not to take a language test must provide supporting documentation as evidence of their language ability.

The Case of Quebec

Reference was made to Quebec, which sets its own selection policy and introduced a selection system for skilled workers in 1996 that awards points for human capital factors, as well as criteria related to occupation. A recent study of 14,000 immigrants selected under this system found that some of the factors have an impact on how quickly immigrants obtain their first skilled job. The study found that this happens more quickly for immigrants who have a PhD, have completed post-secondary education in French, are 30 years of age and under, and are trained in an “in-demand” field, as well as those who have previously resided in Quebec (and particularly if they worked or attended school during that time), intend to work in the personal services sector, or have an assured offer of employment. Other factors, such as personal suitability, work experience or having friends or family in the province, have no impact on immigrants’ access to their first skilled job.

Striking a Balance

Participants talked about the need for balance in our system. Some expressed concern that the focus on the selection system for skilled workers comes at the expense of admissions under other classes, such as the family class or refugees. Another participant insisted that revisions to the selection system for skilled workers should be examined apart from other kinds of immigration. It was also

suggested that immigration should not become a substitute for our existing labour pool; investments are needed to train and facilitate labour market entry for those already in Canada.

There was concern that the focus on skilled immigration may prevent us from addressing the “lower-end” labour market needs. It was noted that the skilled worker class can solve some labour shortages, but other streams may be needed to meet other demands, and more attention should be focussed here. One participant suggested allowing immigrants to sponsor not just their spouses, parents, grandparents and children, but their siblings as well. It was suggested that this amendment to the family class may in fact increase the labour pool available for low-skilled jobs.

There was some agreement that a low-skilled selection program is not needed because, in a sense, the family and refugee streams provide low-skilled workers. There are some sectoral shortages, such as seasonal agriculture and live-in caregiving, but it was felt that these can be filled by targeted programs.

Many took issue with programs that would bring workers in temporarily and not allow them the opportunity to eventually qualify for permanent residence. Indeed, many participants suggested that this is counter-intuitive given that research shows those immigrants who have resided in Canada for a temporary period of time are quite likely to succeed as permanent residents. International students are just one possible pool from which permanent residents could be drawn. However, work may be needed to actually retain them. Another suggested that bringing in too many temporary workers to fill labour shortages may actually discourage Canadians from acquiring skills and training and themselves entering the labour market. Alternatively, it may also discourage employers from investing in training programs for current employees.

Operational Challenges

Another participant pointed to operational challenges and wondered whether it makes sense to discuss revising the existing selection criteria before addressing operational backlogs and application queues. It was suggested that it does not make sense to recruit immigrants if they cannot be processed efficiently, and there was concern that processing backlogs might reduce Canada’s competitive advantage. One participant noted that this could be as simple as raising the pass mark, which would render many applicants ineligible. Another suggested expediting processing for particular applicants, such as international students seeking permanent residence, as well as decreasing the processing times at embassies where the wait times are especially long. Another noted that the backlog for skilled workers is at least 500,000. If changes were made to the existing system, those who apply would have to join the back of the queue, and it would be quite some time before they would be processed and admitted to Canada. In short, it was felt that amendments to the selection system simply should not be separated from these operational challenges.

The Role of Employers

The Conversation then turned to the role that employers can or should play in attracting immigrants, selecting them, and retaining them, as well as discussing whether or not the existing immigration system is responsive to the needs of employers and the labour market, in general. One participant suggested that while much attention has been given to involving employers in immigration issues, this is not necessarily high on the list of employers’ concerns.

One employer noted that because they have immediate labour needs, they pursue solutions that produce results quickly, whether this is through immigration or other methods. He noted that they have used targeted selection to recruit employees from countries that are most likely to produce employees in their industry with the skills and attributes they require. Most would be brought to Canada as temporary foreign workers first, but would then enter the permanent stream through the Provincial Nominee Program (PNP). Indeed, many are attracted by the opportunity to gain permanent residency fairly quickly, and to bring their families with them soon after. The use of temporary programs and the PNP to bring in employees does raise some questions about how well our system for selecting permanent skilled workers responds to employers' needs. There was a sense that the system needs to be more flexible to respond to employers' needs.

One participant suggested going beyond the PNP to introduce a municipal nominee program that would allow for sponsorship from communities that would like to increase immigration and are willing to put in place the programs and policies that are needed for immigrants to succeed.

Others suggested alternative programs, such as one that would allow employers to sponsor immigrants, much like immigrants are able to sponsor their families. Such a system would require the employer to make some guarantee that the immigrant will remain employed and will not become a burden on social assistance for a specified period. Some raised concerns about this proposal, as employers could potentially incur costs if they chose to sponsor an immigrant rather than hiring a Canadian graduate who would not be subject to the same guarantees and restrictions. Another participant suggested that there would be a potential for exploitation with employees admitted under such a system feeling indebted to their employer as a result of the sponsorship.

However, it was argued that this system would force policy-makers, employers, researchers and the public to think about the consequences of immigration. It was argued that, in the past, too many immigrants in particular occupations have been admitted and, as a result of changes in the economy, many are now unemployed or under-employed. Questions were raised about the potential for policy to ensure that immigrants remain employed or employed in a particular sector (particularly one in which shortages exist), and whether such measures are appropriate, given that they discriminate by differentiating immigrants from others. It was also noted that immigration is not the only way to fill labour shortages, and more than one solution should be explored. For example, wage increases can be effective and increase the number of available workers.

Others suggested that the immigration system needs to be improved so that employers will trust it and see it as a means of selecting the employees they need. The system must offer employers an assurance that immigrants who are selected will have the skills, training and abilities that are needed for them to succeed. One participant suggested that external bodies for assessing foreign credentials and qualifications do exist, but employers are sometimes not aware of them, and will often turn instead to friends or associates for advice.

There was a sense that even if employers wanted to use immigration as a solution to labour market shortages, they may find the present system complicated. Employers in the United States can pay for a service that assists them in navigating the immigration system. It was also noted that larger firms in Canada do use immigration consultants, but this is not realistic for smaller businesses, nor is it realistic to expect them to travel abroad to recruit temporary workers and other immigrants. Nonetheless, it was suggested that it is realistic for SMEs to become better informed about the

existing labour pool in Canada and to better utilize the skills of immigrants already in the country. Thus far, however, SMEs have largely not been involved. It was suggested that this is in part because immigration was until recently viewed as a federal issue. Provinces and other stakeholders are now increasingly involved, however, and this is likely to build linkages and increase connections to employers.

International Examples

Participants were then asked if we can learn from the experiences of other countries that have perhaps been more successful in aligning their processes for selecting immigrants with their labour market needs.

Many pointed to Australia, which has a system similar to Canada's but with some important differences. For example, points for education are slanted toward those with Australian education. This would be possible in Canada because there is a fairly significant international student population. This could also potentially address challenges related to credential recognition, language ability and adaptability. Some suggested, however, that there are now many countries competing for international students – often as a revenue-generating strategy – and, as a result, the pool may be weaker. Moreover, some pointed out that Australia may actually be admitting too many international students, and there are concerns that this may reduce the quality of graduates. For example, it was noted that many foreign students in Australia are not obtaining the language skills that are needed for success in the labour market. As a result, Australia is actually considering a revision to their selection system, which would increase language testing for international students wishing to immigrate permanently.

However, one participant noted that a high proportion of immigrants to Australia report speaking “only English” or “only English very well,” which suggests that they have managed to select those immigrants with a high degree of fluency. This has occurred even though the Australian system gives fewer overall points for language than the Canadian system. However, fluency in the country's official language is mandatory in Australia, but not in Canada, and the points for language in Canada are divided among both official languages. It may also be the case that other criteria in the Australian system inadvertently advantage immigrants with a high degree of fluency.

The front-end screening that is undertaken by regulatory bodies in Australia may be one explanation. Unlike in Canada where credentialing occurs after immigration, regulatory bodies in Australia have responsibility for the first stage of screening. In essence, if an immigrant will not be accredited, he or she will not be accepted. In addition, Australia has built occupational criteria into their system allowing them to award points for in-demand occupations, as well as human capital attributes. They also recognize age differently than in Canada, awarding more points for this factor and restricting the points to those under 45 years of age. Other differences in Australia include the requirement that immigrants may not access social services for at least two years, which many regard as a self-selection strategy, as well as a pass mark that is changed more frequently than in Canada, which promotes responsiveness and helps to prevent processing backlogs.

An immigrant's ability to acquire citizenship in Australia and Canada is roughly the same, and some pointed to the advantage that citizenship offers in attracting immigrants. For example, Ireland has a number of temporary programs for workers, primarily in the service sector, and immigrants can

convert to permanent status, but they will not be able to acquire citizenship. However, the European Union offers geographic mobility, and it was suggested that workers might enter countries where it is somewhat easier to obtain citizenship and then later move to other countries in the EU where the acquisition of citizenship is perhaps more difficult.

There was a sense that Canada has had a competitive advantage over other countries and this is, in part, because of its reputation as a “tolerant,” immigrant-receiving country and one that has a relatively generous citizenship policy. Moreover, there is a perception in much of the world that Canada’s model for selecting immigrants has worked quite well. Some are now digging deeper, though, and learning that it is just a model, one with problems and one that all countries may not wish to emulate. Moreover, many other countries are becoming increasingly interested in attracting skilled immigrants, and this may erode Canada’s historical competitive advantage.

Conclusion

This Conversation brought together a diverse set of views and interests, including those of policy-makers, researchers, employers and other stakeholders. Nonetheless, there was largely consensus on a number of issues, including the need to revisit Canada’s points system for skilled workers, to provide a larger role for employers, and to ensure that the system is balanced, responsive and flexible. The need for a long-term perspective was also asserted, and it was noted that we must ensure that the immigrants selected to meet today’s labour market needs will be able to succeed and also contribute in the longer-term.

Generally, it was agreed that the rationale behind the human capital approach remains valid and that the criteria contained in the points grid for skilled workers – language, education, experience and age, in particular – are appropriate. It was not suggested that these criteria be discarded. However, participants did suggest that there is a need to examine *how* these criteria are assessed, to make some adjustments or to add additional factors within each category. It was also noted that the process for changing the pass mark and the frequency with which this occurs could be revisited as a means of responding to problems of supply and demand.

Participants were concerned that too much emphasis might be placed on the selection system for skilled workers at the expense of other classes. Many commented that immigration is a package, and we should not move too quickly in one direction. Indeed, many viewed the PNP, international students, and programs for temporary workers as potential complements to the system for skilled workers, which might help respond to employers’ immediate needs and would create a more flexible and balanced system. There was also a sense that this package must include integration programs and initiatives that will lead to the success of all members of the family.

Participants noted the need to look more fully at what employers’ roles could be, and what employer sponsorship might entail. The employers who participated indicated a willingness to explore options and, in particular, options that would result in a system that is more flexible and responsive to employers’ needs. There was also a sense that caution should be exercised when making alterations to the selection system to respond to forecasted labour market needs, given that it is difficult to make such predictions.

Of course, some questions remain unanswered and require further examination before developing future policy. For example:

- How can we better predict our labour market needs?
- What balance do we want to strike between temporary and permanent immigration?
- Should we be focusing purely on highly-skilled immigrants, or is there a need to also admit low-skilled workers?
- And how do we balance our immigration program with labour and employment programs for Canadians and immigrants already in Canada?

Further Reading

Citizenship and Immigration Canada. *Immigrating to Canada as a Skilled Worker*. Online at: www.cic.gc.ca/english/skilled/index.html.

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