

Conversation Series

Internationally Trained Workers' Economic Performance and Foreign Credential Recognition: Conversation Highlights

On May 25, 2005, Metropolis and the Foreign Credential Recognition Division of Human Resources and Skills Development Canada hosted a Conversation to look at internationally trained workers' economic performance and foreign credential recognition. The Conversation brought together researchers and policy-makers with expertise in these areas to provide forward-looking advice on future research on economic performance and foreign credential recognition. This document provides highlights of the discussion. Metropolis Conversations employ the Chatham House rule and thus, while contributions are recorded, they are not attributed. This encourages an open and frank discussion.

Economic Performance of Immigrants: The Basics

Attention to foreign credential recognition and immigrants' economic performance is, in part, a result of research findings that point to poorer economic outcomes for recent immigrant cohorts. Given this, the Conversation began with a brief discussion of existing research and knowledge on the economic performance of immigrants. Is the gap between the earnings of immigrants and the Canadian-born increasing? Why are we seeing poorer economic outcomes for immigrants? Which contributing factors are the most important?

- Participants noted that the evaluation of economic performance depends on which immigrants are examined. For example, the earnings of Principle Applicants in the Economic Class – a group that makes up about 20% of all immigrants – tend to catch-up with the average earnings of the Canadian-born after as little as five years and, after 10 years, their earnings tend to exceed the average earnings of the Canadian-born. Cohort is also important. For example, the earnings average of immigrants who entered prior to the 1980s have tended to catch-up to the earnings average of the Canadian-born, but those who arrived after 1990 have tended not to catch-up as fast, which has increased the earnings gap between immigrants and the Canadian-born. An earnings gap between immigrants and the Canadian-born is not a new finding, but evidence of an increasing gap is of concern.

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. Reports from past Conversations are available at www.canada.metropolis.net.

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.

- The different composition of recent immigrant cohorts is one possible explanation. Participants noted that recent cohorts have tended to come from non-traditional source countries and are more likely to be visible minorities. The interaction between country of origin and visible minority status may decrease the recognition of one's education and other credentials. Moreover, discrimination and perceived cultural differences cannot be ruled out. These may include issues related to accent, differences in social norms, or a lack of familiarity with the Canadian workplace and workplace cultures.
- Participants suggested, however, that returns to foreign work experience and the decreased value given to that experience is particularly key. This is an important explanatory factor when we look at the increasing earnings gap.
- Research indicates that about 30-40% of the decline in entry earnings for recent immigrants – and the subsequent growing earnings gap between immigrants and non-immigrants – can be explained by low or non-existent returns to foreign work experience. Participants noted, however, that it is not necessarily that returns to foreign work experience have themselves decreased; it may simply be the case that the immigrants most likely to accrue lower returns to foreign work experience – that is, those from non-traditional source countries – have grown in number. Participants also noted that displaced workers – those who change industries or sectors, whether immigrant or Canadian-born – get relatively no return on their prior experience. Given that many immigrants change sectors – sometimes voluntarily and sometimes non-voluntarily – after immigrating, it is perhaps not surprising that they get little return on their foreign work experience.
- Research further indicates that about 30-40% of the increasing earnings gap can be explained as a result of a “bundle” of characteristics related to source country, including visible minority status.
- Finally, about 30-40% of the increasing earnings gap can be explained by general labour market conditions, which participants suggested may be less amenable to new entrants, whether immigrant or Canadian-born.
- A number of caveats were included, however. First, participants noted that gender is important. For women, the declining returns to foreign work experience tend to be more moderate than for men. As a result, when we look at women, the explanatory power of foreign work experience may be less germane. Second, participants suggested that “conditioning” is important. They noted that immigrants have all of the characteristics that should lead to positive economic outcomes, but their outcomes are not consistent with these characteristics and thus appear even more negative. In other words, we are conditioned to believe that certain inputs will result in particular outcomes, and these outcomes do not appear to be materializing for immigrants. The situation, relatively speaking, thus appears even more severe.
- One participant also noted that existing data sets do not include information on actual labour market experience. Rather, data sets contain information that allows for the calculation of potential labour market experience, such as the difference between age and years of schooling. In other words, when researchers note that returns to labour market experience are declining, they are not referring to returns to *actual* labour market experience, but rather to returns to *potential* labour market experience. That is an important clarification, particularly given that some source countries may have high rates of unemployment.

- Some participants speculated that social capital and social networks, which take time to accumulate, may be important in terms of economic outcomes. However, research suggests that more educated people – a group that includes many immigrants – tend not to use informal networks such as family and friends to find employment, so the absence of a network might not necessarily disadvantage professionally-trained immigrants.
- Participants also noted that research on the increasing earnings gap finds that returns on foreign education have relatively no impact. Although education can explain the gap in earnings between immigrants and non-immigrants, the returns on foreign education have themselves not changed, so education does not help to explain the *increasing* earnings gap. Thus, examining returns to foreign education and the value given to foreign education will not help to explain the increasing earnings gap, although this may become an issue of increasing importance given the rising proportion of immigrants with post-secondary education coming to Canada.
- Literacy is also believed to have an impact on earnings, but not necessarily the increasing earnings gap. Although immigrants and the Canadian-born receive similar returns on their literacy skills, the literacy skills of immigrants are lower. Nonetheless, the same research found differential returns to foreign work experience to be more important in explaining the earnings gap between immigrants and the Canadian-born.
- Research also suggests that age at immigration does matter, and younger immigrants tend to have more positive economic outcomes than immigrants who enter after the age of 35.
- Participants suggested that traditional conceptions of discrimination may need to be revisited and should include factors other than race. Research suggests that two immigrants with exactly the same racial origins can immigrate at the same time and yet have different economic outcomes. Therefore, factors other than discrimination on the basis of race must be important. Some suggested that language facility, accent, and cultural differences – whether perceived or actual – may be important.
- Participants further noted that the focus on earnings and the earnings gap conceals those immigrants who have not yet found employment, as well as those who have left the labour force or the country. Some suggested that research on immigrants who leave Canada may be instructive, and it was noted that the Longitudinal Survey of Immigrants to Canada (LSIC) could be used.

Immigrants' Economic Performance and Foreign Credential Recognition: The Links

Participants moved from a general discussion of economic performance to a discussion that focussed on the links between economic performance and foreign credential recognition. Key questions included: What is the nature of the link between immigrants' economic performance and foreign credential recognition? How important is foreign credential recognition in determining the economic performance of immigrants? What gaps exist in our knowledge of the impact of foreign credential recognition?

- Although experience may be more important in terms of explaining the *increasing* earnings gap, education and experience are both important in terms of explaining immigrants' *overall* earnings. The extent and nature of foreign credential recognition affects both returns to education and experience.

- It was suggested that because entering immigrants are more educated, the verification of their credentials is becoming more necessary, but also more time-consuming. There are further implications if the number of professionals increases as a proportion of overall immigration intake annually.
- Participants noted the importance of sheepskin effects, which refer to the increased earnings that result from the receipt of a degree, certificate or diploma after controlling for years of schooling. In other words, it is the completion of the actual degree, certificate or diploma that matters, not just the completion of a particular number of years of schooling. The implication is that research on education needs to look both at years of schooling and program completion. For immigrants, it appears that the greatest returns result from the receipt of the degree, certificate or diploma, not the acquisition of a particular number of years of schooling. In other words, there is a sheepskin effect. Nonetheless, sheepskin effects can explain only the gap in earnings, not the *increasing* gap.
- Quality of education was viewed as important, as research shows that the quality of education in various source countries is correlated with returns to education. The market appears to distinguish quality and rewards those from higher quality education systems. Moreover, if immigrants receive their degree in a country other than Canada, it has less value in the Canadian labour market than if it was received in a Canadian university. Even degrees that were started in another country, but then completed in Canada have greater value in the Canadian labour market.
- Again, however, returns on foreign education have not necessarily declined if we look at particular source countries separately. What has changed is the entrance of more immigrants from non-traditional source countries, which are more likely to be associated with lower quality education systems than traditional source countries.
- Participants noted that even within Canada, some educational institutions are believed to be of higher quality, and this affects employers' hiring choices. As such, it seems natural to extend the assessment of educational quality across borders. Encouraging employers not to do so would require a culture change, and employers may perhaps view such a change as being contrary to their own interests.
- Literacy was mentioned during this discussion, and it was noted that regardless of where immigrants received their education, their literacy skills are always lower than those of non-immigrants. Moreover, the same economic benefits can be achieved by raising the literacy skills of immigrants as can be achieved by recognizing their foreign work experience.
- Some participants suggested that employers might view credential recognition as being too time-consuming. As such, many participants agreed that the onus should be on applicants to provide equivalency information. They believed that shifting this responsibility from employers to applicants could increase the recognition of foreign credentials and the potential that employers will hire internationally-trained workers.
- Moreover, some suggested that credential recognition is more of an immigrant selection issue, rather than an immigrant settlement issue. Ideally, credential assessments would be taken into account in the application, selection and / or port of entry processes. Some suggested that rather than awarding points to applicants in the Skilled Worker class on the basis of their *nominal* degree, the points should be awarded on the basis of the *assessed* equivalency of their degree. In other

words, if an applicant's Master's degree is assessed as being equivalent to a Canadian Bachelor's degree, they should only receive points for a Bachelor's degree.

- It was noted that this would be a more truthful way of selecting immigrants, as it would not create the false impression that immigrants (who are selected on the basis of their education) will necessarily be rewarded for that education in the Canadian labour market.
- Others suggested that bridge-to-work programs would be more successful than focussing on the assessment of foreign work experience and credentials because these programs provide immigrants with actual Canadian experience and allow employers to determine whether their skills are equal to those of Canadian-born.
- At the same time, it was suggested that providing employers with information about equivalencies through paper assessments cannot hurt. In addition, these types of assessments also allow immigrants to see what their credentials are actually worth in the Canadian labour market. Nonetheless, participants suggested that it would be more cost-effective to undertake credential recognition as part of the selection process, rather than as part of the settlement process.
- Participants also noted the need for a national foreign credential assessment agency, rather than a patchwork of agencies, which they believe would improve coordination, consistency and the uptake of equivalency information by employers.

Future Research

Research on basic impacts, indicators and factors

- Researchers and policy-makers lack basic information on the recognition of *assessed* credentials. Presently, policy is formed on the basis of our information on the recognition of *nominal* credentials, and participants noted that research is especially needed to ascertain the degree of credential recognition and the impact of assessed credentials on economic outcomes. What fraction of Bachelors, Masters and PhDs do agencies assess as being equivalent to Canadian degrees? Where do these degrees come from? What is the frequency of credentialing problems – if any – that are faced by immigrants? What are the eventual economic outcomes of those who have had their credential assessed according to various levels of equivalency? How many immigrants actually have their credentials assessed? What are the economic outcomes of those who do not have their credentials assessed? This basic starting point is the only way to determine if foreign credential recognition has an impact on economic performance.
- Some suggested cooperating with the assessment agencies to collect these data. Others suggested looking at data from LSIC, which asks questions about credential assessment, employment and earnings, but only includes data for one cohort of immigrants.
- Another option would be to use existing landings files as a sampling frame. Landings files contain information about education, and the sampling frame could be used to launch a survey with questions about previous occupation, current occupation, and credential assessment. These data could later be linked to data on economic performance.
- Data on the actual assessment of credentials could be used to identify cases where the educational degree is evaluated as being inferior to Canadian equivalents as well as cases where the educational

degree is not evaluated as being inferior but appears to be under-valued by Canadian employers. This would provide some indication of the scope and seriousness of the foreign credential recognition problem.

- Others suggested studying entrants who come with pre-arranged employment within the Skilled Worker Class or those admitted under the Provincial Nominee Program (PNP). Comparing the economic outcomes of PNPs or employer nominees to other applicants would be one way to look at the effect of general labour market conditions and the valuing or discounting of credentials. This is because PNPs, employer nominees and those with pre-arranged employment have, by definition, already had at least a portion of their credentials recognized.
- Another suggestion was to look at the role that unions play in aiding or limiting the recognition of credentials, given that immigrants and minorities tend to be less present in unionized sectors. Why might that be?
- Research on pre-Canadian work experience was also deemed to be important. A survey that captures actual pre-Canadian occupation and work experience, and not simply potential experience, is needed to better understand returns to foreign work experience. LSIC could be used here given that it asks a question about the immigrant's job prior to coming to Canada, but this would allow for the examination of just one cohort. Alternatively, if an immigrant identifier were added to the Labour Force Survey, this survey could be used to answer these questions.
- Further research could also be done to see how Canadian experience helps to augment returns to foreign work experience. Would bridging programs improve economic outcomes? Do the costs of such programs – real and opportunity – exceed the potential economic benefits?
- Research on language was also discussed because language is central to many other qualifications, including education and even work experience. Most data on language proficiency is based on immigrants' self-assessment, which is not always reliable. A measure of actual language proficiency is needed.
- Research on language distance could be important. Language distance literature suggests that some languages are more closely related than others, and the further away your mother tongue is from the language of the country into which you have immigrated, the more difficult it is to integrate.

Research on specific sectors, occupations, regions or provinces

- If geographic breakdowns are required, participants suggested regional breakdowns, which would also include breakdowns for the Greater Toronto Area, the Greater Vancouver Area, and perhaps Montreal.
- Nonetheless, participants cautioned that labour “shortages” – whether for particular sectors or in particular regions – are often not actual shortages, but rather reflect a maldistribution of those working in those fields or regions. In other words, in most cases, there is not an actual overall shortage, but rather too few working in a particular sector in one province and too many working in another. Markets typically adjust to correct such shortages, and policy intervention may, as a result, be inefficient or unnecessary.

- Most participants were not convinced that studies on the basis of occupation would be the most fruitful. Many suggested zeroing in on various aspects of the selection grid or “points system” for Skilled Workers and studying the economic outcomes of applicants with various characteristics.
- If there is a desire to look at particular occupations, one option would be to look at IT professionals, given that a large cohort were admitted in the mid-1990s and early part of the 21st century as temporary workers. What were their economic outcomes? What happened after the bust of the tech sector?
- Participants were also not convinced that research on non-regulated sectors is a priority. They suggested that until we know more about the actual value of assessed credentials and how credential assessment affects economic outcomes, it is not useful to do further research on particular sectors or occupations.
- Moreover, if the government wished to devote more attention to a particular sector, the key sector to look at would not be the non-regulated sector, but the trades and technology industry within the regulated sector. This gap in the regulated sector was deemed to be more important.

Research on improving credential recognition and economic outcomes

- Many participants suggested looking at the Australian system, which draws its permanent immigrants from the foreign student pool. Their university experience serves as a “probation period” and provides them with Australian education, greater language fluency and sometimes even Australian work experience. Some voiced concern about the moral implications of this strategy, and others wondered if going an exclusively highly-skilled route was desirable.
- Related to this, there was a suggestion to study the returns to education for foreign students educated in Canada. This would allow for an evaluation of the economic performance of the foreign student population that eventually receives landed immigrant status. This is particularly important if foreign students are looked to as a pool for potential permanent immigrants.
- Others noted that adopting the Australian system would only address the economic outcomes of future immigrants. It would not address the earnings gap of existing cohorts of immigrants already in Canada who have had problems getting their credentials recognized and integrating into the Canadian labour market. How can we solve these problems? Is focusing energy here desirable? Some suggested that skills atrophy minimizes the degree to which better credential recognition would result in better economic outcomes for those immigrants already in Canada, but not working in their field. Perhaps, then, the focus should be on recognizing the credentials of future immigrants where greater gains can be made.
- Participants noted that comparative research on systems in other countries would be instructive and might tell us what types of foreign credential recognition programs result in the best economic outcomes.
- Research on language training programs was also recommended because of the centrality of language to economic success. For example, which methods, approaches or delivery systems result in better labour market outcomes and for which immigrants? This would ensure that immigrants are receiving the language training that will best facilitate their labour market success.

- Some also suggested looking at the gains that can be made when immigrants return to school after immigrating to Canada. Does returning to school “redeem” the value of the foreign education or experience? If so, policy levers, such as subsidies to return to school, could be developed to capitalize on these gains. One participant wondered at what point it would become too late to return to school and still experience positive returns. It was noted that research on women who return to school suggests that even after 5-6 years, there is a positive return.
- Some suggested that research is needed to understand the decision to migrate to Canada and stay. It was suggested that for some immigrants, the benchmark may not be a “Canadian-born” standard, and some may feel satisfied even if they are not working in their field. Some suggested that for many immigrants, the determining factor is not whether or not they are working in their field, but whether or not their quality of life in Canada is equal to or better than the quality of life they left behind. If this is the case, then foreign credential recognition may not be the key. Rather, it may be ensuring an acceptable quality of life.
- Others suggested looking not at the reasons that immigrants choose to enter Canada, but rather on the factors that might make them leave. This might pinpoint potential problems. LSIC includes relevant questions, and these data could be used.

Research on perceptions

The discussion then turned to perceptions of foreign credential recognition on the part of employers, immigrants and the public. Are perceptions negative or positive? What could be done to improve perceptions? Is this important? Participants noted that perceptions are important and that research is needed to better understand these perceptions.

- Participants suggested that research on the formation of immigrants’ expectations is needed. They wondered if immigrants’ expectations of Canada and their potential success are formed on the basis of government advertising, friends and family, or immigration consultants. They noted that if expectations and perceptions are formed on the basis of things that are out of the government’s control, then there is little that the government can do to ensure those expectations and perceptions are accurate.
- There was a sense that government advertising to potential immigrants is somewhat misleading and does not give immigrants all of the information they need to know about economic outcomes and credential recognition.
- Participants also discussed the research that might be needed to better understand employers’ perceptions. What types of information do firms need to better understand credential recognition? In what format should the equivalency document be to best serve employers’ needs? What tools would assist employers to recognize immigrants’ credentials?
- Research is also needed to understand why credentials are being discounted or under-valued. This will help focus policy action. Are credentials being discounted because of a lack of understanding, a lack of information or discrimination? Perhaps the discounting is for legitimate reasons and is even appropriate, but until this is known, it will be difficult to formulate an appropriate policy response.

- Participants noted that positive experiences may change negative perceptions. Employers who have hired immigrants and have had positive experiences are more likely to have positive perceptions of immigrants' credentials and the benefits of recognizing those credentials.
- Participants also suggested that geographic concentrations of immigrants may affect perceptions of immigrants and returns to foreign education and experience. They noted that in downtown Vancouver where employers are more likely to be immigrants than in rural areas, there may be greater sensitivity and awareness of the value of immigrants' credentials. Employers may thus be more likely to recognize foreign credentials.
- There was also some concern about programs targeted at immigrants, which might engender negative public perceptions. One participant noted that there may be some opposition to programs targeted toward immigrants who have been in Canada for 10 or more years when there are Canadians who have lost their jobs and similarly need to re-skill.

Key Findings

The Conversation concluded with a discussion of the key findings. Five key points emerged, and HRSDC could devote their future research and policy efforts to these areas.

First, participants agreed that research is needed to better understand the *increased* earnings gap, including research on the effects of foreign work experience. Second, participants pointed to the need for research that would determine the *actual* assessment of credentials. They suggested using data from assessment agencies to determine, for example, how credentials are recognized, to what degree and from which countries, and to determine the economic outcomes of those who are assessed. Third, they suggested looking not at credential recognition in non-regulated sectors, but in the trades and technology industries in the regulated sector. Fourth, they noted that research was needed to examine the formation of perceptions and expectations. Finally, participants suggested looking at the points system and targeting research to various aspects of that points system. In addition, many noted that foreign credential recognition could be addressed as part of the selection or port of entry process, rather than through settlement and integration programs.

Further Reading

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