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### New Directions in Immigration Policy: Canada's Evolving Approach to Immigration Selection

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# **New Directions in Immigration Policy: Canada's Evolving Approach to Immigration Selection\***

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## **Abstract**

Canada's immigration system is currently undergoing significant change driven by several goals that include: (1) a desire to improve the economic outcomes of entering immigrants, given the deterioration in labour market outcomes over the past several decades; (2) an attempt to better respond to short-term regional labour market shortages often associated with commodity booms, and (3) a desire to shift immigration away from the three largest cities to other regions of the country. These goals are reflected in the modification of the point system in 2002 and the implementation of a series of new immigrant programs. The paper discusses the recent changes to Canadian immigration policy and examines the preliminary results achieved by the new programs.

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## Introduction

Canada's immigration system is currently undergoing significant change. This chapter describes these changes and examines what is known about their consequences. Among the questions addressed are the following:

- What is the nature of these changes?
- Why are these changes occurring, and what goals do they seek to achieve?
- Have these policy changes achieved their goals?

Many high-income countries face significant demographic challenges – ageing populations and slowly growing labour forces – challenges that immigration may help to ameliorate. Immigration is often viewed as a potentially promising way of maintaining population growth (or slowing the rate of population decline) as well as helping to offset anticipated skills and labour shortages associated with the looming retirement of large numbers of skilled and experienced workers. Canada is no exception in this regard. Indeed, it is likely that the positive public support for continued high levels of immigration is to an important extent based on the belief that economic challenges associated with population ageing and the retirement from the labour force of the ‘baby boom’ generation will be lessened by maintaining immigrant inflows at high levels.<sup>2</sup>

Canada has been one of the world's main destinations of immigrant flows, with approximately 200,000 to 250,000 immigrants arriving annually in recent years (see Figure 1). On a per capita basis, Canada and Australia have the highest immigration rates in the western world, admitting approximately 0.8% of their populations annually.<sup>3</sup> Beginning in the late 1960s, Canada also pioneered the use of an explicit “points system” for selecting economic migrants, an approach subsequently adopted by Australia in the 1980s and the UK in 2002. Prior to the 1960s Canada's immigration policy principally focused on unskilled immigrants.<sup>4</sup> Until World War I the stated objective was to admit farmers, farm workers, and female domestics in order to help settle the

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<sup>2</sup> Despite this belief, which appears to be widespread, most careful analyses conclude that immigration can make only modest impacts on the rate of population ageing (e.g. Beaujot, 2003).

<sup>3</sup> In terms of the stock of foreign born, roughly one-fifth of the residents of Canada, Australia and Switzerland are foreign born. The countries with the next highest rates (e.g. Austria and the U.S.) have proportions below 15% (OECD, *International Migration Outlook*).

<sup>4</sup> See Green and Green (1999) for a detailed account of the evolution of Canada's immigration policy, with emphasis on the economic goals.

West. Similarly, during the early post World War II period the desired immigrant was essentially unskilled, needed to meet growing labour demand in sectors such as mining and forestry. During this period admission to Canada was mainly restricted to those from traditional source countries such as the U.S., UK and Europe. These two salient features of immigration policy began to change in the 1960s. In 1962 Canada abandoned the long-standing policy of “preferred” and “non-preferred” source countries in favour of basing admission on individual applicants’ personal characteristics, especially their education and skill qualifications. Subsequently, in 1967 a formal points system was adopted. The points system provided an explicit scale for admission decisions based on factors such as age, education and language proficiency, as well as the predicted demand for workers in the applicant’s intended occupation and destination. The points system applied to those seeking admission as part of the “economic” class, and not to those admitted as refugees or for reasons of family unification. Indeed, at the time the points system was introduced, the refugee and family classes were given top priority for processing. Thus admissions under the points system were initially a residual category.

Although the nature of the points system has evolved since its introduction in the 1960s, the central objective of selecting immigrants in the economic class with characteristics appropriate for the Canadian labour market has remained. From the outset – and especially in recent years – the points system has focused on selecting highly skilled immigrants. Furthermore, although there has been some year-to-year variation, recent immigration policy has shifted toward admitting more in the economic class and fewer in the family unification and refugee classes.

The immigration system is currently undergoing significant change driven by a number of goals that include: (1) a desire to improve the economic outcomes of entering immigrants, given the deterioration in labour market outcomes over the past several decades; (2) an attempt to better respond to short-term regional labour market shortages often associated with commodity booms, and (3) a desire to shift immigration away from the three largest cities to other regions of the country that are seeking more economic immigrants. These goals are reflected in the modification of the point system with the introduction of the *Immigration and Refugee Protection Act (IRPA)* in 2002 and the implementation of a series of new immigrant programs, including the Canadian Experience Class, the Provincial Nominee Program, Ministerial Instructions, and the possibility to

apply to permanent residency as temporary immigrants from the Live-in-Caregiver program. There have also been substantial changes to and increased use of the Temporary Foreign Worker Program.

This chapter discusses recent changes to Canadian immigration policy, providing a context for these modifications in immigrant selection policies. It also analyzes the preliminary results achieved by the new programs. The chapter is organized as follows. The next section summarizes the way that public policy has evolved in response to new evidence about how well (or poorly) immigrants have fared in Canada's labour market as well as evidence relating to the ability of immigration policies to address labour market goals. Section 2 summarizes recent changes to the point system and examines their effects. Section 3 describes new programs introduced to admit immigrants and discusses what is currently known about their results. The final section concludes.

## **1. The Evolution of Canada's Immigration Policy**

This section provides an overview of the evolution of Canada's immigration policy since the introduction of the points system in the late 1960s. A key theme is the trade-off between short-term and long-term objectives in designing immigration policy.

### *1.1. Evolution of the Points System*

Well before the points system was introduced, Canada was selecting immigrants to meet labour market needs. Canada has a long history of immigration, dating from the country's inception in 1867. Responding to economic and labour market needs has been the main motivation for immigration during much of the country's 140 years of existence, particularly during the early years. From 1870 to the depression of the 1930s, Canada was looking to settle the western part of the nation in order to hold the country together. The completion of the transcontinental railways and the settlement of the West by farmers and farm labour were key policy objectives during this period. After six decades of actively recruiting immigrants, immigration was curtailed to almost zero during the depression years in response to concerns about "absorptive capacity." After WWII the goals of immigration became more complex. Between 1945 and the mid 1960s, the policy objectives included (1) promoting population growth, (2) improving the standard of living of existing Canadians, (3) responding to changes in the absorptive capacity of the economy, and (4)

not altering the basic character of the Canadian population (i.e. receiving immigration primarily from Europe and the U.S.) (Green and Green, 1999).

The modern era of Canadian immigration commenced in the mid 1960s with the introduction of the points system, a means of implementing policy objectives associated with economic immigrants. These policy objectives have varied over time, and as a result, the system itself has undergone considerable change. In the early years, it was seen as means of responding to short-term labour market needs. Points were assigned to specific occupations and were reviewed on a quarterly basis as new information of perceived vacancies became available (Green and Green, 1999). There was a belief that immigration policy could be micro managed. In the 1980s and early 1990s information from the Canadian Occupational Projection System (COPS) model developed and used by Human Resources and Skills Development Canada, combined with that from “key informants,” was used to alter the points assigned to specific occupations.

In the early 1990s the points system was altered to increase the importance of general human capital characteristics, notably education, in the selection process. The result was a rapid rise in the educational attainment of immigrants through the 1990s. There was also an increase in the share of immigrants in the economic class, in part in response to the high tech boom of the late 1990s. With the new *Immigration and Refugee Protection Act (IRPA)* legislation introduced in 2002, Citizenship and Immigration Canada moved completely away from the attempt to meet short-term labour market objectives through the Federal Skilled Worker program (those being selected on points). Instead, they strengthened the “human capital” model of immigration that rewarded skills such as education, experience and language ability, rather than specific occupations. The IRPA defines three basic categories of permanent residents, which correspond to the three major program objectives: reuniting families (the family class), contributing to economic development (the economic class) and protecting refugees (refugee class). There is a small mix of other categories.

The distribution of immigrants by class has shifted over time, with the economic class dominating since the mid-1990s (Figure 2). In 2009, the majority of immigrants were in the economic class (61%), including both the “principal applicants” who are selected via the points system if in the skilled worker category, and their spouses and children. The family class (family reunification)

constituted 26% and refugees 9%. See Table 1 for a detailed breakdown of the various immigrant classes, and the immigration level associated with each in 2009.

As a result of policy changes beginning in the early 1990s, the education level of immigrants rose dramatically. In the 1980s, approximately 10% of all entering immigrants aged 15 and over had a university degree; by 2005 it was 45%. Fully 78% of principal applicants to the Federal Skilled Worker Program admitted over the 2000 to 2007 period had a university degree, as did about one half of their spouses. But even in the other classes of immigrants educational attainment was moderately high: 27% in the family class, and 13% among refugees. And these data underestimate their educational attainment, since many people aged 15 and over have not completed their education. If one focuses instead on the population aged 25 to 54, in 2006 around 60% of all male and 50% of female entering immigrants had university degrees.

### *1.2 The Shift Away from Selection Based on Occupational Imbalances*

Beginning with changes to the points system in the early 1990s, there was a shift away from a focus on occupational shortages and a move to provide generally higher levels of human capital to the labour market. There were a number of reasons for moving away from attempting to meet labour market shortages by utilizing the points system, including the following.

- (1) There was considerable difficulty in obtaining reliable information on occupational imbalances, either in the short or long run.<sup>5</sup>
- (2) Selecting the number of immigrants desired in each occupation proved to be difficult. There was no way of limiting the number of immigrants entering in particular occupations. Even if one increased the points for one occupation, and reduced them for another, there was no guarantee that this would result in a corresponding shift in the occupational distribution. Many other factors, such as educational attainment, experience, and language ability could influence the selection. An internal evaluation in the mid 1990s suggested that there was only a limited correlation between the desired number of immigrants in various occupations, and the actual number who entered.

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<sup>5</sup> The number of “plausible assumptions” required in the projections and the unfeasibility of accounting for the numerous adjustments that may take place in the labour market that will often attenuate shortage situations generally make the prediction of occupational imbalances unsuited as a timely and accurate policy tool, particularly in occupations subject to rapid technological change or shifts in consumer preferences (Freeman, 2006).

(3) It is difficult to adequately respond to regional or localized labour shortages. Many occupational imbalances are unique to a regional labour market. This was particularly true during the 2000s when much of the concern regarding labour shortages was in the province of Alberta. But entering immigrants are free to settle wherever they wish. In Canada, during the 1990s about 75% of immigrants settled in the three largest cities, Vancouver, Toronto and Montreal. Although this share has since fallen to about 60% it is nonetheless the case that not all immigrants settle where their skills are most needed.

(4) Points assigned to occupation were based on the immigrant's "intended occupation." However, there is no requirement that new arrivals work in their intended occupations.<sup>6</sup> Furthermore, obtaining employment in a number of occupations, especially professional and highly skilled occupations, often requires some form of accreditation by the relevant professional association. Thus even if a new immigrant wishes to work in his or her intended occupation, this may not be possible without this accreditation.

(5) The immigration system had difficulty responding quickly. Even if short-term shortages could be identified, it was difficult to bring in immigrants quickly to fill them. Canada has a very long backlog of people wishing to emigrate, somewhere between three quarters of a million and one million applicants. It may take years for an application to be reviewed and accepted, and by then the short-term shortage may have been resolved through internal mobility, wage adjustment, technological change, or shifts in commodity prices or consumers preferences.

As a result of these issues, immigration policy through the early 1990s and the early half of the 2000s increasingly shifted towards the "human capital" model of immigration. However, since the mid 2000s there has been a rebalancing of the objectives, brought about in part by the issue of declining economic outcomes among entering immigrants, and the need to address regional and occupational labour shortages. Thus, recent years have seen a renewed emphasis placed on meeting very short-term labour market needs, often those confronting particular employers, regions or industries. However, in the process of returning to placing more emphasis on

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<sup>6</sup> Indeed, Goldmann, Sweetman and Warman (2011) find that a large number of immigrants want to change occupations when they come to Canada so the intended occupation does not match well with their previous work experience or the occupation they end up working in.



addressing labour and skill shortages, alternative approaches to the use of the points system are being used.

### *1.3. Labour Market Outcomes of Immigrants in Canada*

Following Chiswick (1978) and Borjas (1985), a large literature has developed that explores the factors that influence an immigrant's labour market success after arrival in the new country. In Canada, research has focused mainly on immigrant earnings with a few studies addressing other labour market outcomes.

Since the 1980s, the economic outcomes of immigrants - relative to the native-born - have been deteriorating progressively.<sup>7</sup> This decline is evident not only in increasing earnings gaps between recent immigrants and the native born, but also in increasing unemployment rates relative to those of the Canadian born. Among immigrants with jobs, those who arrived during the late 1970s experienced earnings outcomes that approached those of the Canadian-born after fifteen to twenty years in Canada.. However, subsequent arrival cohorts have had increasingly lower earnings at entry, with the cumulative effect being dramatic. When *male* immigrants are compared to the Canadian-born with similar characteristics (i.e. education, age, marital status, etc.), the cohorts entering during the late 1970s had annual earnings that were roughly 85% of that of their Canadian born counterparts during the first five years in Canada.<sup>8</sup> After 11 to 15 years in Canada, this cohort earned around 92% of that of the comparable Canadian-born. Among the early 1990s entering *male* cohort, entry earnings fell to about 60% of that of comparable Canadian-born (i.e., log earnings ratio of 0.60) during the first five years in Canada, rising to only about 78% after 11 to 15 years in Canada (Picot 2008). There was some improvement during the late 1990s entering cohort, but this was followed by deterioration again in the early 2000s. And while there is some indication that the growth rate of earnings immediately post-immigration has increased among more recent entering cohorts, they may not catch up to their domestically born counterparts during their working lifetime.

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<sup>7</sup> For early contributions see, for example, Baker and Benjamin (1994) and Bloom, Grenier, and Gunderson (1995). Recent studies include Sweetman (2003); Aydemir and Skuterud (2005); Ferrer and Riddell (2008); Picot and Hou (2009); and Green and Worswick (2010, 2012).

<sup>8</sup> More specifically, the log of the ratio of immigrant to Canadian-born earnings was 0.85.

The deterioration in immigrants' labour market outcomes is also evident in unemployment, as relative (to the Canadian born) unemployment rates rose with successive entering cohorts. There is less evidence of declining *employment* outcomes among entering immigrants, particularly among males. Employment rates among entering male immigrants in the early 2000s resemble those of the Canadian born. The deterioration in outcomes was seen primarily in earnings and unemployment.<sup>9</sup> But the deterioration in immigrant outcomes extends beyond these dimensions of labour market performance. Despite the high fraction of university graduates among recent immigrants to Canada (twice as high as that of Canadian born in 2006) recent immigrants to Canada are 2.5 times more likely than Canadian born to be in low skilled jobs (such as truck drivers, sales clerks and taxi drivers). The situation is not temporary, but persistent. Immigrants who had spent eleven to fifteen years in Canada still were twice as likely than Canadian born workers to be in low skilled occupations (Galarneau and Morissette, 2008). Further, there has been a concurrent increase in poverty rates among immigrants. In 1980 the percentage of immigrants and the Canadian born with annual incomes below Canada's "Low-Income Cut-off" (LICO) were comparable, but by 2005 differed by more than 8 percentage points (Picot, Lu and Hou, 2009). Abstracting from the short-term fluctuations associated with the business cycle, the trends for the Canadian born and immigrants are in opposite directions, with poverty rising among immigrants, and falling among the Canadian born. These poverty trends are driven primarily by changes in annual labour market earnings among immigrants and the Canadian born (Picot, Hou and Coulombe, 2008).

A number of recent studies have focused on the reasons for the rise in the earnings gap between recent immigrant cohorts and the Canadian born (Picot and Hou, 2009; Ferrer and Riddell 2008; Ferrer, Green and Riddell 2006; Aydemir and Skuterud 2005; Sweetman 2003; Green and Worswick 2010, 2012; Schaafsma and Sweetman 2001). These studies point to explanations such as the changing source regions of entering immigrants, declining returns to foreign labour market experience, a deterioration in the outcomes for new labour market entrants in general, education quality, language skills and sectoral economic downturns (see Picot and Sweetman 2005, Reitz, 2007 and Picot 2008 for a full review of the decline and its causes). In particular, the first three factors mentioned above could account for virtually all of the increase in the entry wage gap

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<sup>9</sup> For details see Picot and Sweetman (2011).

during the 1980s and early 1990s. It also seems clear that immigrants who come at young ages tend to perform better -- possibly reflecting the acquisition of Canadian schooling and the lack of unrewarded foreign experience (Ferrer and Riddell 2008; Schaafsma and Sweetman 2001).

The lack of successful economic assimilation among immigrant cohorts that arrived in the past three or four decades suggested that the pre-IRPA system did not select economic immigrants who successfully integrated in the Canadian economy. Much of the relevant research is based on Census data, which do not provide information on whether immigrants came to Canada via the economic (selected) class, family class or as refugees. Administrative data contains this information, and research based on these data concludes that the deterioration in immigrant outcomes occurred among all three groups, that economic migrants do better, on average, than family class migrants, and that economic outcomes of refugees are the worst (Abbott and Beach, 2009, 2011a, 2011b).

The findings of Canadian research resulted in changes in immigration policy in an attempt to improve outcomes. During the early 1990s the points system was altered to increase the share of immigrants with higher education, and the share of immigrants in the economic class was increased, while that in the family class was reduced. The research findings were also important in the design of the IRPA selection grid in the early 2000s, with its focus on characteristics that promote longer run labour market adjustment, and the applicant's ability to successfully move from job to job as the labour market changes. Labour market research was also instrumental in the development of the Canadian Experience Class, as a way of selecting immigrants that would not face issues relating to the recognition of credentials and foreign experience.

Interestingly, there is much popular discussion, and many government programs, addressing the issue of academic credential recognition among new immigrants. However, the empirical data suggests that there has been only a modest change in the rate of return to foreign credentials in Canada (e.g., Ferrer and Riddell, 2008) – although there are recent issues around the IT collapse in the early 2000s when the rate of return to higher education fell for many immigrants (Picot and Hou, 2009). In general, immigrants do receive a somewhat lower rate of return to pre-immigration education, but this has always been the case and is not a significant source of the *decline* in labour market outcomes. Furthermore, credential recognition issues are usually associated with

professional occupations such as medicine, accounting, engineering and so on. These occupations account for a relatively small share of all immigrants to Canada. Even if issues relating to recognition of credentials disappeared, concerns about low earnings among immigrants would likely remain. Nevertheless, credential recognition is a real issue for particular groups of immigrants, and may be an appropriate policy lever to pull to improve outcomes.

Perhaps most importantly, language skills appear to mediate the rate of return to formal education. Immigrants with good language skills in English or French can much more easily convert their education to earnings than those with poor skills. Work by Bonikowska, Green and Riddell (2008) has shown that the rate of return to literacy and numeracy skills as assessed in English and French is very similar for immigrants and the Canadian born. Furthermore, when literacy and numeracy skills in English or French are accounted for, immigrants earn about what one would expect, and have earnings similar to their comparable Canadian born counterparts. Literacy and numeracy skills (which are assessed in English or French, Canada's two official languages and are themselves dependent on English/French language proficiency) explain a considerable portion of the immigrant-native born earnings gap. Overall, language skills appear to have a significant direct and indirect influence on labour market outcomes, and are key to positive outcomes.

Given this body of research, Canadian policy makers have put considerable effort into improving labour market outcomes. Key changes have been made in an attempt to improve labour market outcomes of new immigrants, including changes to the immigrant selection rules, the strengthening of language tests, the introduction of new programs as mentioned earlier, increasing the share of immigrants in the economic class, and beefing up immigrant settlement programs. Some of these programs are still in their infancy, but initial evaluation of these changes is under way. The third section describes the preliminary findings of these evaluations.

## **2. IRPA and the Rebalancing of Longer Run and Short-Term Objectives.**

The current selection system for skilled workers was introduced with the implementation of the *Immigration and Refugee Protection Act (IRPA)* on June 28<sup>th</sup> 2002. The new Federal Skilled Worker (FSW) program is intended to more effectively select immigrants who will succeed economically in the longer run. The program amendments reflected the need to:

- improve the economic outcomes of skilled worker immigrants;
- maintain the quantity of skilled worker immigrants; and
- improve the transparency of the selection process.

Canada's previous skilled worker policy, while it had a human capital component, was also designed to select immigrants to address shortages in specific trades and professions through significant points for the intended occupation. In contrast, the FSW program introduced with IRPA is based on a human capital model, without consideration of occupation. The program is intended to maximize the long-term potential of economic immigrants in an increasingly complex labour market and knowledge- based economy. The new skilled workers selection criteria were based on research and consultations which concluded that factors such as level of education, language ability, work experience, age, arranged employment and adaptability are important to successful economic establishment in Canada.

With the implementation of IRPA, a new selection grid was introduced. The point system for the pre-IRPA and IRPA regimes is summarized in Table 2. One important change relates to the awarding of language points. Under the IRPA regime, applicants must submit either written evidence demonstrating their language ability in Canada's official languages or provide language test results from an approved organization or institution. In addition, a new category for awarding points was created for "Adaptability", which allowed additional points for several factors: the education of the applicant's spouse or common-law partner; having worked in Canada for a minimum of one year full-time; a minimum of two years full-time authorized post-secondary study in Canada; having received points under the arranged employment factor and having family relationships in Canada.

What were the consequences of the new IRPA point system? To evaluate outcomes, typically one compares the outcomes of the current policy regime with alternative regimes. The most common choices of alternative policy regimes are those that have operated at different times in the same country or at the same time in different countries. However, it is difficult to determine how much of any observed difference in outcomes is due to the different policy regimes and how much is due to differences in the economic, social and labour market conditions at the time of arrival.

Beach, Green, and Worswick (2008, 2011) analyse the impacts of immigration “policy levers” on immigrants’ human capital characteristics (years of schooling, age at arrival, and language proficiency). Their analysis uses landings data of all adult immigrants arriving in Canada over the period 1980 to 2001. The policy levers are the overall level of immigration flows, the percent of the total that is admitted under the economic class, and the points assigned for specific attributes (education, age and language). They then draw on research by Green and Worswick (2010, 2012) as well as some other studies to relate immigrant earnings (in particular, earnings shortly after arrival in Canada) to immigrants’ human capital characteristics. Combining these two components gives approximate relationships between immigration policy levers and immigrant outcomes (specifically earnings soon after arrival).

Beach, Green, and Worswick conclude that variations in these policy levers – especially increased emphasis on the economic (selected) class and increased points assigned to education -- do influence the characteristics of immigrants and do result in improved immigrant outcomes. Picot and Hou (2009) also assessed the effect on immigrant earnings of the rising share of immigrants in the economic class and with a university education that stemmed from the 1993 changes to the points system. They concluded that these rising shares did improve average earnings during the first few years in Canada.

The introduction of IRPA in 2002 also provides a unique opportunity to make a direct comparison between two alternative policy regimes. Due to the backlog in the admission process, immigrants admitted under the pre-IRPA regime continued to arrive in Canada after 2002. Thus, between 2002 and 2006, immigrants selected under both regimes arrived in Canada. The outcomes experienced by the pre-IRPA arrival cohorts provide a natural counterfactual for the IRPA arrival cohorts. Begin, Goyette and Riddell (2010) utilize this unique opportunity to study the impacts of the IRPA policy change on immigrant employment and earnings over the period 2002 to 2006. By comparing pre-IRPA and IRPA cohorts that arrived in the same year, they control for key determinants of immigrant outcomes – economic, social and labour market conditions at the time of and subsequent to arrival in Canada, and years since arrival in Canada.

Begin, Goyette and Riddell use income tax data from the Immigration Data Base (IMDB) merged with information from the immigrants’ applications and landing records. The results show that the selection regime significantly affects the earnings of immigrants admitted under the points

system. Those admitted under the IRPA points system do better than their pre-IRPA counterparts for every cohort and taxation year considered. New immigrants arrivals admitted under the IRPA selection regime earn between 21% and 46% (depending on the cohort and taxation year) more than their counterparts who were admitted under the pre-IRPA selection system in the same year. The gap between pre-IRPA and IRPA cases exists from the first year after landing and remains relatively constant in the subsequent years for all cohorts considered in the analysis. The evidence indicates that this happens for both genders, although the advantage is not as pronounced for women.

The study also looks at the factors that account for successful integration into the Canadian labour market. Once other factors are accounted for (province of residence, country of origin and intended occupation skill type) regression analysis shows that the most relevant factors for economic success of immigrants are, by order of importance: arranged employment, language and work experience in Canada prior to migration. Among other factors from the selection grid, age, education, work experience and partner's education also have a positive effect on employment earnings, while having received points for relatives in Canada affects earnings negatively.

On the basis of this evidence, the combination of a greater emphasis on the economic class and some improvement in outcomes associated with the adoption of the revised points system is expected to lead to greater economic success among new immigrants.<sup>10</sup> Nonetheless, the gains appear to have been small relative to the substantial deterioration that had taken place over the previous 20 to 30 years. In addition, new concerns about the appropriateness of Canada's immigration policy emerged around the turn of the century. These developments resulted in further policy changes discussed in the next section.

### **3. Broadening the Goals of Immigration: Recent Policy Developments**

A number of steps have been taken since the mid 2000s to address the perceived need to respond to short-term labour market needs, notably claims about "labour shortages."<sup>11</sup> These steps were prompted in part by (1) the development of short-term tight labour markets in parts of Canada

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<sup>10</sup> See also the Auditor General's report on the Federal Skilled Worker program (Auditor General of Canada, 2009).

<sup>11</sup> Whether labour shortages in fact exist is a matter of dispute. Employer groups frequently report that their members have difficulty hiring workers with appropriate skills, but other evidence of shortages such as large discrepancies between job vacancies and unemployed workers or substantial wage increases are less evident.

associated with the recent commodity boom (which was temporarily halted by the 2008-2009 recession), (2) the perceived need by many provinces for additional immigrant labour to promote population and labour force growth, since most immigrants to Canada during the 1980s and 1990s located in the three largest cities, and (3) a widespread belief among the general public, and likely political circles, that a labour shortage is developing, and that continued immigration is required for economic and population growth.

But rather than turn to the points system to achieve a rebalancing of objectives, the immigration system looked to new programs developed in partnership, or exclusively by, the provinces. These programs, described in more detail below, generally increase the participation by the provincial governments and employers in the selection of immigrants, increase the use of temporary foreign workers, increase the opportunity for certain types of temporary foreign workers to become permanent residents, and give the federal government more authority to control the flow of immigrants of particular types (e.g. in particular occupations). Although it is too early to fully assess these changes in immigration policies, the results of studies completed to date (discussed subsequently) are cautiously optimistic regarding their effect on the economic outcomes of immigrants.

Immigration is a shared federal and provincial responsibility. The federal government has taken the lead role through most of Canada's history, although for many years the province of Quebec has had its own skilled worker program, and is largely responsible for selecting its own immigrants.<sup>12</sup> More recently other provinces are playing a role in immigrant selection, primarily through the Provincial Nominee Program (PNP). This program has two basic objectives (1) to locate more immigrants in the regions and provinces outside of the three major cities, and (2) to meet the workforce needs of employers in those provinces, usually short-term labour market needs. Many immigrants entering via this program have pre-arranged jobs, and hence the short-term needs of employers are imbedded in the selection process. The share of immigrants entering through the PNP is increasing, while the share in the Federal Skilled Worker (FSW) program is declining.

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<sup>12</sup> Under the *Canada-Quebec Accord on Immigration*, Quebec establishes its own immigration requirements and selects immigrants who will adapt well to living in Quebec.



The second program that is increasingly being used to respond to short-term labour market needs is the Temporary Foreign Worker (TFW) program. Meeting very short-term needs, especially those in specific regions, is the primary objective of this program. The TFW program in fact consists of many programs -- ranging from low-skilled seasonal workers, workers filling perceived shortages in unskilled or semi-skilled occupations, and live-in care providers, to the very highly skilled. A list of occupations in short-term demand is developed jointly by the federal and provincial ministries of immigration and is used to guide the selection process. The TFW program has been used more in the 2000s than during previous periods (Figure 3). The dramatic growth in TFWs slowed during the 2008-9 recession, but subsequently resumed its strong upward trend. There are concerns about possible negative long-run effects of this program, related to (1) whether the temporary workers will return home or remain in Canada, (2) the possibility of unjust exploitation of the workers by a few employers, (3) whether the skill distribution of entering workers will shift towards the lower skilled group, possibly creating future labour adjustment difficulties for these workers, and (4) whether temporary workers place downward pressure on wages in affected occupations (see, for example, Aboim and Maytree Foundation, 2009; Alboim and Cohl, 2012).

Along the lines of new policies aimed at facilitating the integration of immigrants, Citizenship and Immigration Canada introduced in 2008 the Canadian Experience Class (CEC). This new immigrant category allows some skilled categories of temporary foreign workers with Canadian work experience, as well as international students who have a Canadian degree and at least one year of Canadian work experience, to apply to transfer their temporary resident status to permanent status without leaving the country. The program is sizeable. In recent years, around 30,000 applicants to permanent residency made the transition from the TFW or International Student temporary status (see Figure 4). This feature is in accordance with the longer run objectives of the new immigration policies to promote selection into permanent residency for adaptable workers. Note, however, that other TFW such as the seasonal agricultural worker program have very strict regulations with a trivially low percentage of workers who ever transit to permanent status. (Figure 5 summarizes the various routes to permanent residency.)

The CEC approach is in contrast to the use of a point system that uses observable characteristics to predict labour market success and admits individuals on that basis. The new approach gives employers and postsecondary institutions a greater role in the selection process. Employers influence the selection of immigrants by extending job offers and arranging temporary work permits. Post-secondary educational institutions influence selection by screening and admitting students – though PSE graduates must also obtain employment as a temporary foreign worker post-graduation. Creation of this new immigrant category can thus be viewed as a way of taking advantage of the knowledge of employers regarding who would be a suitable employee and educational institutions about who would be a suitable student. Involving employers and educational institutions in this way may make it more likely that immigrants' foreign work experience will be valued (employers are more likely to offer employment to individuals with prior work experience that is relevant to the new workplace) and educational credentials will be recognized (especially those who completed their post-secondary education in Canada). This approach also avoids the type of prediction associated with the points system by requiring potential immigrants (certain classes of temporary foreign workers) to successfully secure employment in a high skilled occupation within a certain window of time. This new program also has a language requirement that is structured differently from that for the FSW program in that, first, it assesses English or French, as opposed to English and French, and second, it is pass/fail and not an element of the points system that is combined with other factors in the assessment. In other words, an applicant with high educational attainment but poor language proficiency in English and French could gain admission under the points system (because education receives a substantial number of points) but nonetheless have great difficulty obtaining suitable employment and integrating into Canadian society because of limited language skills.

The third approach designed to increase the focus on occupational shortages was the implementation of “Ministerial Instructions” legislation in 2008 at the federal level. This legislation allows the Minister of Citizenship and Immigration Canada (and the department) to set specific controls on the number of immigrants entering in particular occupations. It also allows for the implementation of a set of restrictions on applications, based on occupation. Starting in 2008, a prospective immigrant (principal applicant) in the Federal Skilled Worker program had to be in one of 36 occupations to be eligible to apply for admission. In June of 2010 this was reduced to

29 occupations (see Table 3). The approach used by Citizenship and Immigration Canada to arrive at the list of occupations is not transparent, and hence it is difficult to know precisely why some occupations were retained, and others dropped. Further, in June 2010 a cap of 10,000 applications from the FSW program was imposed for the next 12 months. Within this cap, a maximum of 1,000 (subsequently reduced to 500) applications per each of the eligible occupations will be considered. These limits do not apply to applications with an offer of arranged employment. This occupational “filter” was designed in part to focus immigrants in a particular set of occupations deemed to be in demand, based on the kind of labour market information that was described above. However, it was also a means of reducing the number of applications. Canada has a very large backlog of applications (close to three quarters of a million), and there is some concern that it is unfair to applicants to place them in such a long queue. A lengthy backlog is also likely to result in the most desirable potential immigrants choosing to settle in other countries.

In general, there has also been an increased use of pre-arranged employment. While a small number of points are available for pre-arranged employment in the IRPA selection system, relatively few immigrants enter on this basis. Rather, the new provincial programs, particularly the Provincial Nominee Programs, require pre-arranged employment in many cases. This requirement reflects short-term labour requirements as perceived by the employer. As with most programs, there are issues that must be monitored. In this particular case, they relate to the possibility that employers may select immigrants simply to pay lower wages than would be necessary to attract domestic workers, and possible fraud associated with the identification of jobs that really do not exist. The “jobs” may be created simply to bring a particular immigrant to Canada.

### *3.1. Provincial Nominee Program*

The Provincial Nominee Program (PNP) is relatively new (although it has been operating in the province of Manitoba for more than a decade) and therefore evaluation of its progress is limited. However, several recent studies, and an evaluation of the PNP carried out by CIC, provide early evidence on the consequences of this approach to immigrant selection. Pandey and Townsend (2011) examine the success of the program in attracting and retaining immigrants to provinces and regions that traditionally received few immigrants, including smaller centres in Canada. They

find that the PNP programs introduced by Manitoba, PEI and New Brunswick were associated with significant increases in immigration inflows into those provinces. Furthermore, the one-year retention rates of recent immigrants did not decrease following the introduction of PNPs in provinces that adopted this approach. This evidence suggests that PNPs may be an effective way of attracting and retaining immigrants to specific regions. In their evaluation of the PNP program CIC (2011) examines all eleven provincial and territorial Nominees programs and finds generally favourable evidence on retention in the western provinces, with less desirable outcomes in the Atlantic provinces. Overall provincial retention rates were over 80% for Nominees admitted during the period 2000 to 2008 but retention did vary regionally, with rates over 95% in B.C. and Alberta and under 60% in the Atlantic provinces.

Several studies also compare the earnings of immigrants that were admitted under the PNP with those admitted under the Federal Skilled Worker program. Results are generally favourable for the PNP programs, but there is again some variation across regions as well as across other characteristics such as educational attainment. The CIC evaluation finds that initial earnings (one year after arrival) of Nominees tend to be higher than immigrants admitted under the FSW program but that earnings of FSWs grow more rapidly during the first five years after arrival and attain higher levels (CIC, 2011). Pandey and Townsend (2012) examine differences in earnings of the two groups across regions and by educational attainment. In B.C., Alberta and Ontario, entry earnings of PNPs substantially exceed those of FSWs regardless of their educational attainment. In contrast, in Manitoba and the Atlantic provinces, entry earnings of PNPs exceed those of FSWs for some education groups but not for others. These regional differences may reflect differences in the design of PNP programs. B.C., Alberta and Ontario require that Nominees have a job offer, while Manitoba does not. In the Atlantic provinces Nominee programs focus more on attracting business immigrants who indicate that they plan to make investments in the region. Zhang (2012) studies the B.C. PNP program and finds dramatic differences in initial earnings between B.C. PNPs and FSWs who settle in B.C. The earnings gap narrows somewhat over time, but remains very large – a gap of over 50%, controlling for individual characteristics -- even five years after arrival. Zhang finds that some of the earnings gap between the two groups can be explained by observed characteristics. B.C. PNPs are more likely to speak one of Canada's official languages

and are more likely to come from English-speaking developed countries (especially U.S. , UK and Australia). Although PNPs are less likely to have post-secondary education, they receive higher returns to their education, language ability and foreign experience than comparable FSWs. In addition, more than 70% of B.C. PNPs previously worked or studied in Canada, whereas less than 20% of FSWs had this kind of previous exposure to the Canadian work and living environment.

In general, the early evaluations suggest that, in the short run at least, the Provincial Nominees achieve higher earnings than their FSW counterparts, and retention in the western provinces tends to be quite high. However, the FSW program focuses on longer-run outcomes under the human capital model. Whether the PNP will match or exceed FSW economic outcomes in the longer run remains to be seen.

### *3.2. Temporary Foreign Worker Program*

Economic immigrants are selected by the government through broad policies designed to target both economic and social goals. In contrast, the Temporary Foreign Worker (TFW) program is driven by employers, who are likely better able to assess the transferability of the worker's skills to the Canadian labour market, at least in the short run. Hence, one might expect TFWs not to encounter the same difficulty receiving returns to their foreign human capital, particularly since they enter the country with a job in place.

Employers may hire temporary foreign workers after obtaining a Labour Market Opinion from Service Canada (HRSDC), which assesses whether there are Canadian workers available to fill that job as well as checking that all administrative procedures have been followed. Most foreign workers who want to work in Canada must first obtain a job offer from a Canadian employer. They then apply to Citizenship and Immigration Canada for a permit to work temporarily in Canada. Applicants must include a copy of the Service Canada letter confirming that their employer received a positive Labour Market Opinion. They must satisfy a visa officer in one of Canada's offices abroad that they meet all applicable requirements under the IRPA including that they will leave Canada voluntarily at the end of their authorized stay.<sup>13</sup>

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<sup>13</sup> Within the TFW, the Live-in Caregiver Program is a unique program enabling the entry of qualified caregivers into Canada when Canadians or permanent residents can't fill job vacancies. Live-in caregivers must be qualified to

Temporary foreign workers have the same rights under the Charter of Rights and Freedoms and federal and provincial employment standards legislation as do Canadian workers.<sup>14</sup> However, their rights are restricted by the terms of their entry into Canada. For example, they do not have the right to search for an alternative job or to change employers without obtaining another work visa. In order to increase protection to TFW, new regulations have been put in place. Employers seeking to hire temporary foreign workers, including live-in caregivers, are assessed against past compliance with program requirements before authorization can be granted and those found to have violated worker rights may be refused authorization to hire a foreign worker and denied access to the temporary foreign worker program for two years. Offending employers' names would also be published on the Citizenship and Immigration Canada website to inform other temporary foreign workers already in Canada. For live-in caregivers, CIC provides clear guidelines in its website to determine abuse and the steps to be followed in that situation, including a list of live-in support networks

A four-year cumulative limit is imposed on many temporary foreign workers' employment in Canada. After a four-year work term, they have to wait four more years before becoming eligible to again work temporarily in Canada. The limit does not affect eligibility for permanent residence; they may still apply, at any time, while they are legally in Canada or after they leave, if they qualify.

Research on temporary foreign workers is very limited. Warman (2006) finds that, in the aggregate, the earnings of male TFWs are higher than those of recently landed immigrants, as one would expect since they have a job to go to. Warman (2010) also finds some evidence that these immigrants, in the short run at least, not only receive larger returns to their foreign schooling, but also receive large positive returns to their foreign experience compared to the low (perhaps zero) returns experienced by other similarly skilled economic immigrants. This suggests that the TFW program may enhance the ability of foreign-born workers to obtain recognition for their foreign acquired human capital in the Canadian labour market. Sweetman and Warman (2009) also find

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provide care for children, sick or elderly people, or persons with a disability. Successful candidates are granted temporary resident status and a work permit and, after two years, are eligible to apply for permanent resident status.

<sup>14</sup> Employment standards legislation such as minimum wages and regulations relating to hours of work falls mainly under provincial jurisdiction in Canada. About 90% of the labour force is covered by provincial laws, with the remaining 10% being covered by federal legislation.

that, among FSW principal applicants, TFWs initially have better earnings and employment outcomes than immigrants without previous Canadian human capital. However, this advantage seems to disappear four years after landing.

### *3.3 Canadian Experience Class program*

Starting in September 2008, a new direction in immigration policy was undertaken with the initiation of the Canadian Experience Class program (CEC). Under this class, some skilled categories of TFWs with Canadian work experience and international students who have a Canadian degree and Canadian work experience can apply to transfer their temporary resident status to permanent status without leaving the country. Under the previous policy such individuals were treated similarly to other applicants and only a small number of immigrants who were previously TFWs or international students in Canada were admitted. While it is too early to assess whether the newly defined class has succeeded in selecting immigrants who assimilate quickly to the Canadian economy, there has been one attempt to proxy the results of this policy. Sweetman and Warman (2009) compare the outcomes of TFWs and former international students who became permanent residents to those of immigrants that became permanent residents without previous Canadian human capital at the time of landing.<sup>15</sup> Hence, although immigrants entering under CEC will likely differ from the immigrants in this study, the study offers a preview on the potential success of the CEC.<sup>16</sup>

The study finds that most former TFWs and international students entered the permanent immigration stream in the economic class. Relative to other Federal Skilled Worker principal applicants, male TFWs do well in terms of both earnings and employment outcomes. Even after controlling for differences in educational attainment and other demographic characteristics, four years after landing male TFWs experience a 61 percent advantage in earnings over other immigrants who were also assessed under the point system, but who do not have any pre-immigration host country human capital. Interestingly, the earning differential between TFWs and

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<sup>15</sup> In this study TFWs and students had to apply outside of Canada compared to the new Canadian Experience Class that allows this group to apply within Canada. It is unlikely that this will have an important effect on results.

<sup>16</sup> TFWs in this study experienced particularly good labour market outcomes; however, it is unclear to what degree this would continue since the selection mechanism on both sides would be appreciably changed with the introduction of the new policy. Also, changes in the scale alone could have a major effect. Nevertheless, the positive results suggest that the CEC program may improve immigrant selection.

immigrants without pre-Canadian human capital who enter under the points system was greatest for immigrants from non-Western countries. They suggest that this is likely due to the fact that immigrants from non-Western countries have had the most difficulty receiving returns to their foreign work experience, and therefore benefit most from having pre-immigration Canadian work experience.

### *3.4 Summary of Evidence on Recent Policy Initiatives*

As this brief review indicates, during the past decade there have been substantial changes in Canada's immigration policy. Early assessments of the PNP and CEC programs in particular are cautiously optimistic regarding short-term economic outcomes. The jury is still out, however, on the longer-term consequences of these initiatives. Use of the Temporary Foreign Worker program has grown dramatically. Research on the impacts of this program is needed.

## **Conclusion**

Canada has been a major immigrant receiving country for most of its 145 year existence. It has struggled with the issue of the extent to which general labour shortages, or shortages in particular occupations, should drive immigration policy. In the nation's early years responding to the general need for labour to meet government priorities, such as settling the West, was clear. Since the 1970s, attempts to meet perceived labour needs in specific occupations have met with mixed success at best, prompting analysts to ask how exactly does one effectively implement such a policy.

The answers to such questions have changed over time, both as economic circumstances changed, and as the country learned what worked, and what did not. Based on the Canadian experience, it is fair to say that there are no definitive answers to these questions. Since immigration policy in Canada has multiple objectives, there are trade-offs to be considered in the implementation of any particular approach to immigrant selection. Policy analysts, politicians, the business community and the general public are all part of a continued search for the appropriate balance between, for example, the short run and longer run goals of immigration. This struggle is reflected in the significant changes that have been implemented since 2002.



There are three major drivers of recent Canadian policy concerns and a perceived need for an immigration response. The first relates to the possibility of a looming general labour shortage associated with the aging of the population, increased retirement levels and rising replacement demand. Whether such a shortage will materialize is difficult to say. The second relevant factor is the desire of many Canadian provinces to receive a larger share of immigration, in the belief that it will promote extensive economic growth (growth of total output). As noted, most immigrants settle in the three major cities. If one is attempting to address labour shortages in other regions, this is a major impediment to success. Changes to immigration policy have been designed to address this issue.

Finally, the fact that the economic outcomes of entering immigrants have deteriorated substantially over the past several decades has promoted change in the system, and discussion of the role of immigration in addressing labour market imbalances. This paradoxical result - poor labour market outcomes for many immigrants while simultaneously there are calls for immigration to meet “shortage” situations - has resulted in an impetus to change immigration policy and practice so as to improve outcomes. Recent research suggests a number of reasons for this deterioration. Changes in the selection system and integration programs may resolve such issues, resulting in an improved contribution by immigrants to the reduction of labour shortages. Other analysts believe that the long term economic deterioration of immigrants is a sign of an “absorptive capacity” problem in Canada.

The immigration system has undergone considerable change in Canada over the past decade in response to these labour market-based issues. They include a larger role for the provinces in the selection and integration of immigrants, increased use of the temporary workers program, the increased selection of students completing their education in Canada who have fewer language and cultural assimilation issues, and changes to the points system in the Federal Skilled Workers program. These changes have also increased the role of employers and educational institutions in immigrant selection, and reduced the emphasis placed on the federal points system.

Within this context, and based on Canada’s experience to date, we can draw a number of conclusions.

1. Increased use of employer input in the selection process can have a positive effect. Economic outcomes among immigrants with pre-arranged employment tend to be superior, at least in the short run. Employers possess knowledge of the short-term labour market demands that is difficult to acquire in a centralized manner. Only recently has Canada seriously given employers a significant role in immigrant selection, and this has been largely through the provincial, not national programs. However, there are issues regarding employer selection that should be managed. Employers may look to hire low-wage labour through immigration rather than engaging available domestic workers, possibly because of a wage advantage. Also, longer-run economic goals regarding immigration policy may not be met through employer selection, as employers often have a very short-run perspective. For example, if the goal is to maintain a high education level among immigrants to achieve longer-run goals, as Canada has done for some time, some mechanism would be required to ensure that employer-based selection was compatible with this, or other, goals. Imbedding employer selection within some form of a points system would be one way to achieve this goal. Currently the two methods of selecting economic immigrants -- through employer selection imbedded primarily in the Provincial Nominee Program, and through the points system imbedded in the Federal Skilled Worker program -- operate in parallel, independently of one another. Linking these two processes by having basic human capital requirements in the PNP employer-based programs, or by assigning substantially more points to pre-arranged employment in the FSW points system could be beneficial. Doing so would allow longer term goals related to human capital objectives to be linked with the goals of filling short-run labour shortages imbedded in the PNP employer selection process.
2. Although selecting immigrants to meet specific needs in particular occupations is very difficult, information regarding the skills required in an economy, defined at a much broader level, may be useful. Hence, Canada moved in the 1990s to a “human capital” model of immigrant selection. The use of the points system to increase the human capital, notably educational attainment, of immigrants was a success – as noted previously, immigrant educational attainment increased dramatically following this policy change. However, increasing immigrants’ educational attainment or experience alone ( i.e. implementing the human capital model in its most basic form) is likely to be insufficient to meet labour market

goals. In Canada, the relatively poor economic outcomes of entering immigrants persisted, even though the educational attainment of immigrants rose. The reasons for this may have been related to language abilities in English or French, the lack of recognition of foreign work experience, poor education quality in the country of origin, and other factors. Mechanisms are needed to ensure that barriers to the use of the human capital in the economy are overcome. Such mechanisms may be imbedded either in the selection process (such as language tests, selection based on the quality of the education received, the recognition of credentials before immigration, etc.) or in the programs designed to assist with integration (such as language instruction, adaptation to the host-country work culture, etc.). Canadian immigration officials responded to such lessons during the 2000s by increasing the budget for immigrant programs and altering selection procedures.

3. There are numerous advantages to employing an immigration policy that seeks to meet future labour market needs by focusing on highly skilled immigrants (from trades to university graduates), particularly among the “economic” class of immigrants. Most of these advantages have to do with longer run goals.
  - Forecasts suggest that most jobs in the future will require post-secondary education, either university or college/skilled trades.
  - More highly educated immigrants have better economic outcomes than the less educated, particularly in the longer-run.
  - The relative wages of the university educated have been rising in Canada over the past two to three decades, suggesting continued rising relative demand for highly educated labour (Boudarbat, Lemieux and Riddell, 2010).
  - Higher levels of education among immigrants contributes to higher educational attainment among the second generation, and hence better economic and social integration of that generation. Higher educational attainment among the second generation also contributes to a generally higher educational attainment of the labour force as a whole, something typically beneficial for the economy.
  - Since the more highly educated generally have higher earnings, particularly in the longer run, they are more likely to produce a net fiscal contribution rather than a net fiscal deficit over their lifetime in the host country.
  - As noted above, however, other programs may be needed to ensure that potential barriers to the conversion of human capital to employment and earnings in the host country are dealt with.

4. Ideally labour market goals of immigration policy, such as responding to longer run labour shortages, would be developed in conjunction with educational policy. A country might well look first to its educational system to provide the skills required in a labour market, and secondarily to immigration. For example, if future labour demand is concentrated among the more highly educated and skilled, as projections are suggesting, then adjusting education policy to provide more highly educated graduates would seem reasonable. This might mean implementing policies to increase the educational attainment of currently disadvantaged groups, such as children from lower income and less educated families, or aboriginal children. Changes of this nature relate to longer-term goals.
5. In order to respond to either short run or longer run labour market demands, a country must have a means of managing immigrant flows to achieve such goals. Until recently Canada has relied on a large “economic” class of immigrants, and the points system associated with that class. More recently Canada’s system is relying somewhat more on employer-based selection (i.e. pre-arranged jobs) and input from sub-national jurisdictions in the selection of “economic” class immigrants. In general, the larger the immigrant flows in a country, the greater the need for a mechanism that will allow some form of management. Overall, the points system has likely served Canada well. When shortcomings have become evident, adjustments were made. For example, changes to the system in the early 2000s did improve outcomes of entering Federal Skilled Workers significantly, suggesting that they were better meeting Canada’s labour market needs than earlier cohorts.
6. While the Temporary Foreign Workers program has been in place for some time in Canada, its use in meeting perceived short-term labour shortages in particular occupations has increased considerably during the past decade. The recent increase in program size has prompted many policy analysts to ask about its effect on the economy and labour market, including questions such as:
  - Is the TFW program successfully helping to alleviate labour shortages and does it lead to an increase in aggregate employment in the affected industry?
  - How widespread are cases of abuse and poor working conditions for the less-skilled workers?

- Does the program put downward pressure on wages in the affected region, occupation or industry?
- Do temporary workers in fact return to their home country?

The answers to such questions currently do not exist. Warman (2010) finds that, in the aggregate, the earnings of male TFWs are higher than those of recently landed immigrants. Sweetman and Warman (2010) conclude that the TFW program, combined with the new Canadian Experience Class, which allows highly skilled TFWs to become permanent immigrants, has the potential to improve labour market outcomes of highly skilled immigrants. However, the questions posed above relate primarily to the lower skilled TFWs. The available research is unable to focus only on such workers, and the Canadian Experience Class is a channel to permanent residency for the highly skilled only. Hence, the questions remain. There is no research that assesses the overall effect of the TFW program on the Canadian labour market and economy.

The immigration system has undergone significant change in the past decade, and continues to do so. New programs have been introduced, and existing ones altered. The system is much more complex than was the case, say, twenty years ago. While the emphasis in the Federal Skilled Worker program (and the Family Class) remains on longer run economic success and nation building, new programs have been introduced and existing ones expanded to address short term labour market needs. There has been a rebalancing of shorter and longer run goals. With such change, a continued focus on program evaluation is essential. Immigrants enter Canada for the long run, even if they are selected to achieve short run labour market goals. Hence, it is important not to limit the program evaluations to the assessment of short-run outcomes of the kind that have been possible to date. A continuation of evidence-based policy development requires a long-term program of evaluation.

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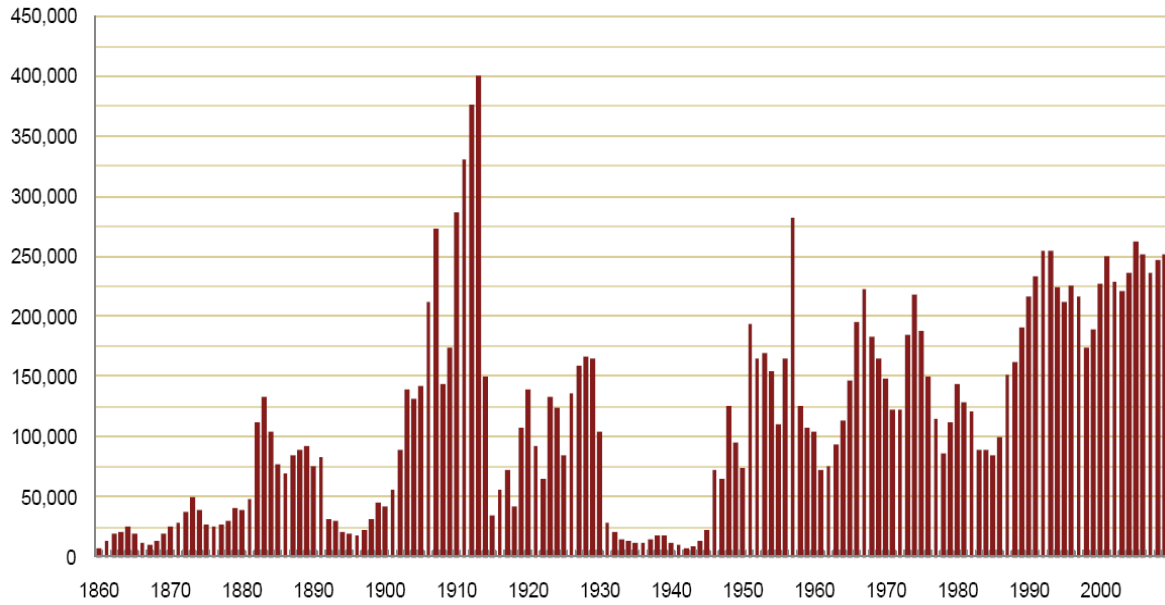
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**Figure 1. Flow of permanent immigrants to Canada**

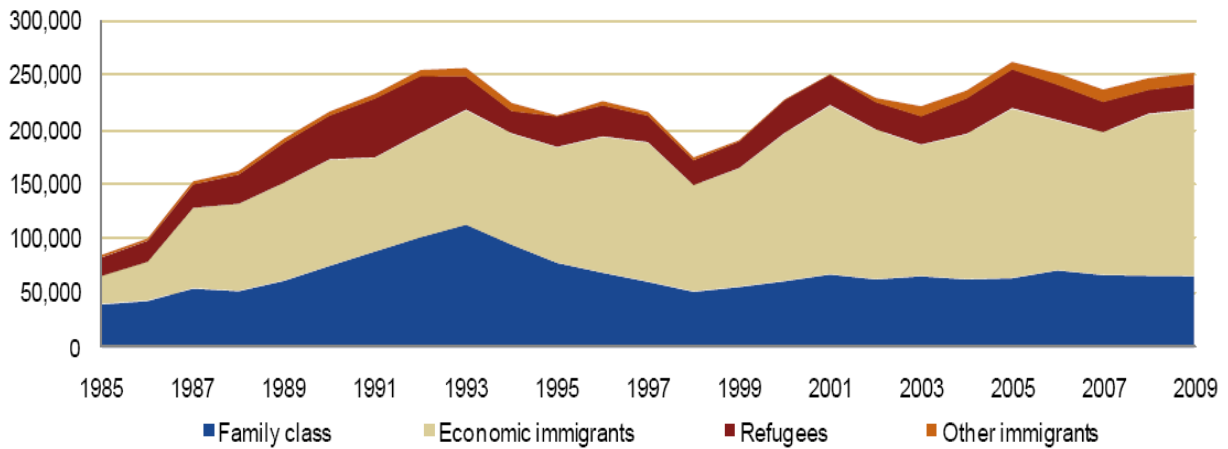
*Canada – Permanent residents, 1860 to 2009*



**Source: Canada Facts and Figures 2009.**

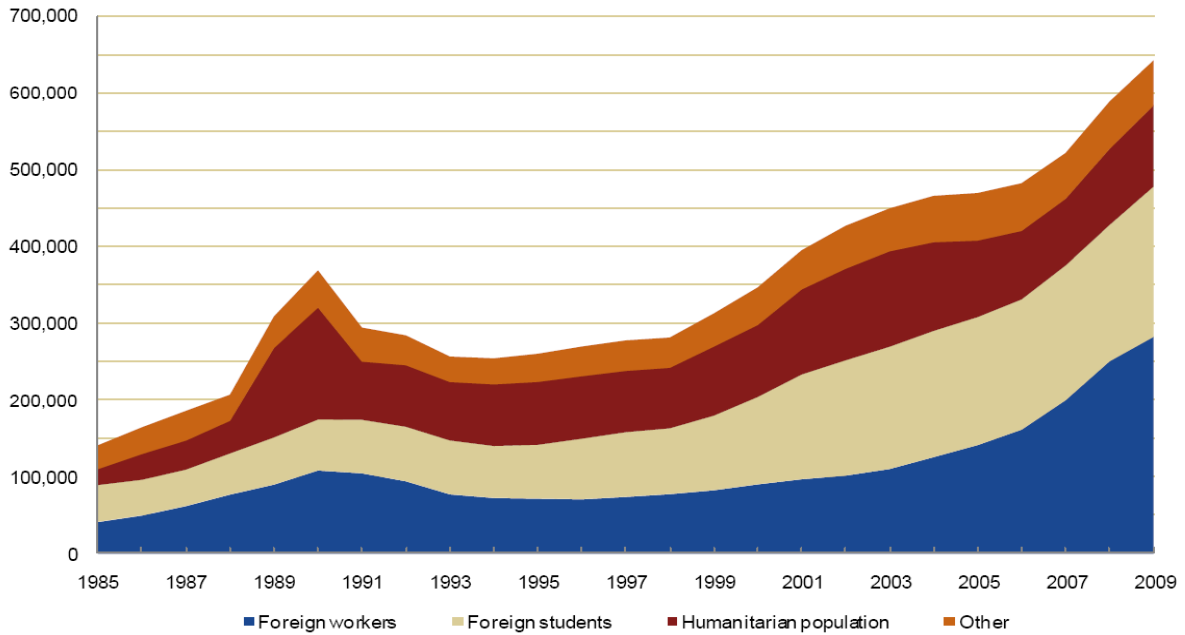
**Figure 2. Permanent Residents by Category**

*Canada – Permanent residents by category, 1985 to 2009*



**Source: Canada Facts and Figures 2009.**

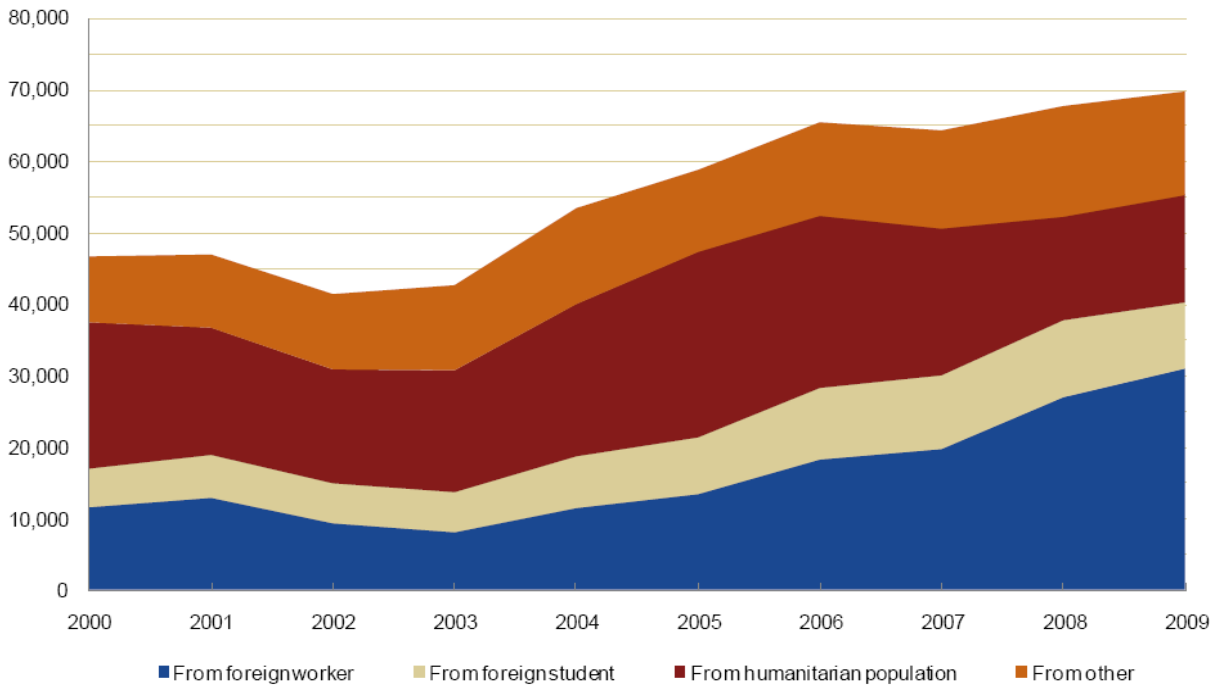
**Figure 3. Canadian Temporary Residents by Status**



Source: Canada Facts and Figures 2009.

**Figure 4. Transition of Temporary Residents to Permanent Residents**

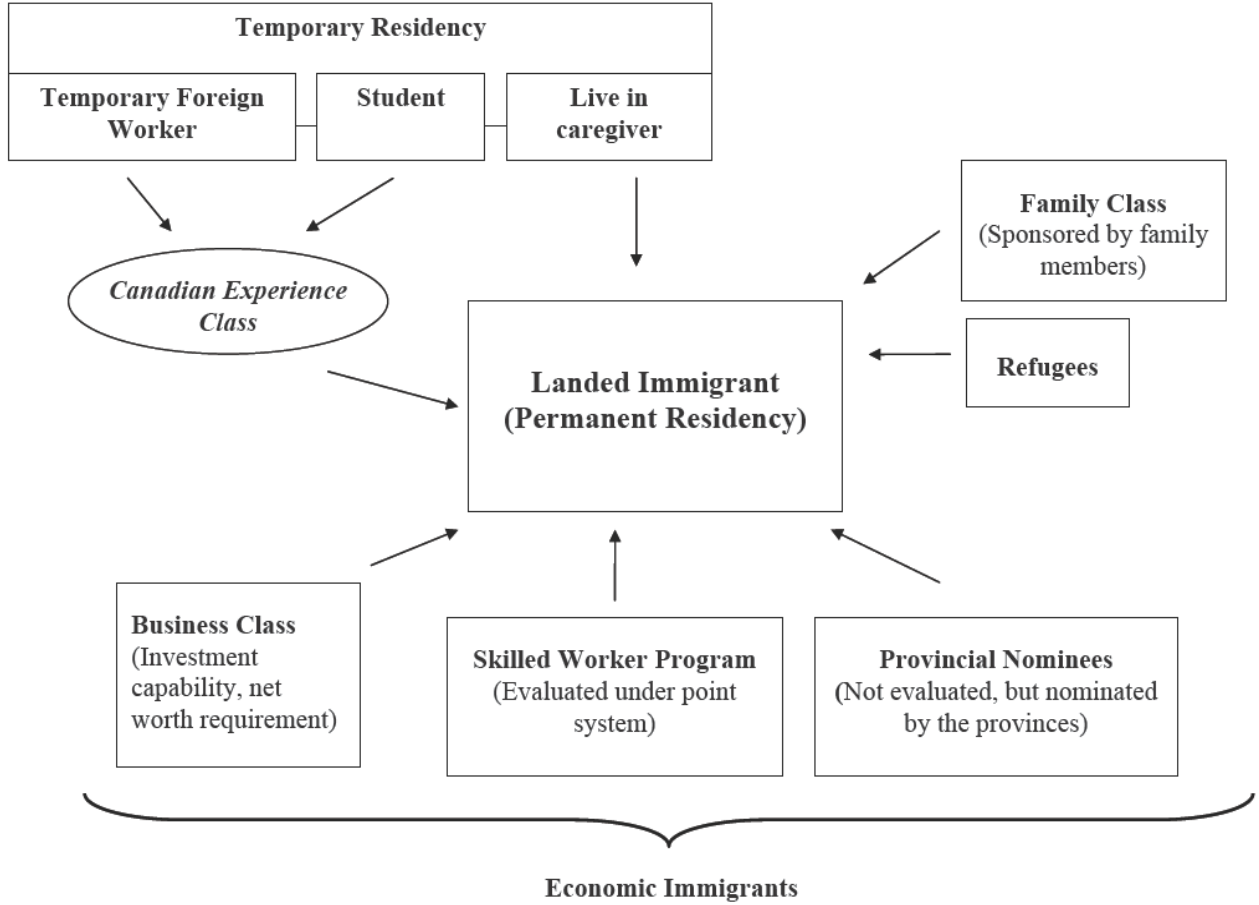
*Canada – Transition of temporary residents to permanent resident status*



Source: Canada Facts and Figures 2009.

Figure 5

Figure 3. Channels to Permanent and temporary Residency to Canada



**Table 1 - Immigration to Canada by Class in 2009**

<b>CATEGORY</b>	<b>Count</b>	<b>Percentage Perm. Residents</b>	<b>Percentage of Class</b>	
<b>Economic Class immigrants</b>				
Canadian Experience Class	- principal applicants - spouses & dependants	1,775 770	0.7 0.3	1.2 0.5
Skilled workers (PAs-points system)	- principal applicants - spouses & dependants	40,735 55,227	16.2 21.9	26.5 36.0
Entrepreneurs	- principal applicants - spouses & dependants	372 943	0.1 0.4	0.2 0.6
Self-employed	- principal applicants - spouses & dependants	179 358	0.1 0.1	0.1 0.2
Investors	- principal applicants - spouses & dependants	2,872 7,435	1.1 2.9	1.9 4.8
Provincial/territorial nominees	- principal applicants - spouses & dependants	11,801 18,577	4.7 7.4	7.7 12.1
Live-in caregivers	- principal applicants - spouses & dependants	6,273 6,181	2.5 2.5	4.1 4.0
<b>Sub-total</b>		<b>153,498</b>	<b>60.9</b>	<b>100.0</b>
<b>Family Class</b>				
Spouses and partners		43,894	17.4	67.3
Sons and daughters		3,027	1.2	4.6
Parents and grandparents		17,179	6.8	26.3
Others		1,100	0.4	1.7
<b>Sub-total</b>		<b>65,200</b>	<b>25.8</b>	<b>100.0</b>
<b>Refugees</b>				
Government-assisted refugees		7,425	2.9	32.5
Privately sponsored refugees		5,036	2.0	22.0
Refugees landed in Canada		7,204	2.8	31.5
Refugee dependants		3,181	1.3	13.9
<b>Sub-total</b>		<b>22,846</b>	<b>9.0</b>	<b>100.0</b>
<b>Total</b>		<b>241,544</b>	na	Na

Source: Citizenship and Immigration Canada, *Facts and Figures, 2009*.

NOTE: At April 1, 2009, Statistics Canada estimated Canada's population to be 33,988,000, which implies a 0.71 immigration rate.

**Table 2: Selection factors under the pre-IRPA and IRPA regimes**

Criteria	Pre-IRPA points (%)	IRPA points
Education	16 (14)	25
Official Language	15 (13)	24
Experience	8 (7)	21
Specific vocational preparation	18 (16)	
Age	10 (9)	10
Arranged Employment	10 (9)	10
Personal Suitability	10 (9)	
Adaptability		10
Relative in Canada	5 (4)	Under adaptability (5)
Occupation	10 (9)	
Demographic Factor	10 (9)	
Total	112	100
Pass Mark	70	75/67

**Source:** Begin, Goyette and Riddell (2010)

**Table 3 Required Occupations to apply as a Skilled Immigrant (NOC classification)**

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0631 Restaurant and Food Service Managers	4151 Psychologists
0811 Primary Production Managers (Excpt Agriculture)	4152 Social Workers
1122 Professional Occupations in Business Services to Management	6241 Chefs
1233 Insurance Adjusters and Claims Examiners	6242 Cooks
2121 Biologists and Related Scientists	7215 Contractors and Supervisors, Carpentry Trades
2151 Architects	7216 Contractors and Supervisors, Mechanic Trades
3111 Specialist Physicians	7241 Electricians (Except Industrial & Power System)
3112 General Practitioners and Family Physicians	7242 Industrial Electricians
3113 Dentists	7251 Plumbers
3131 Pharmacists	7265 Welders & Related Machine Operators
3142 Physiotherapists	7312 Heavy-Duty Equipment Mechanics
3152 Registered Nurses	7371 Crane Operators
3215 Medical Radiation Technologists	7372 Drillers & Blasters - Surface Mining, Quarrying & Construction
3222 Dental Hygienists & Dental Therapists	8222 Supervisors, Oil and Gas Drilling and Service
3233 Licensed Practical Nurses	

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**Source:** CIC website <http://www.cic.gc.ca/english/immigrate/skilled/>