



Canada's Immigration System – Short-term Solutions May Impede Long-term Prosperity

Canada's immigration system needs further fine tuning if it is to be relied on as a sustainable force for satisfying both current and future labour market needs.

One of the important objectives of Canada's immigration system is to assist in meeting the labour market needs of today while building the skilled workforce of the future. In short, it is widely accepted that economic class immigration¹ is effective in stemming anticipated labour deficiencies. Consequently, immigration policy for the economic class has undergone a number of major reforms since 2008 aiming to modernize the system by making it more timely, flexible and responsive. These changes have placed the spotlight on attracting more skilled workers through faster application processing and a streamlined route to permanent residency. While these changes represent a positive move in the right direction, there is a concern that the improvements, as well as the general structure of the Canadian immigration system, are primarily focused on a short-term solution and may not be fully in-tune with maximizing long-term prosperity.

A number of programs are used by governments to select foreign skilled workers; one of the most important of them is the Federal Skilled Worker (FSW) Program. The FSW program follows a selection points system² in assessing applicants; applicants must also either have an offer of employment from a Canadian employer, or have at least one continuous year of employment in an eligible priority occupation as defined by Human Resources and Skills Development Canada (HRSDC). At present, 29 occupations comprise that list.

Understandably, narrowing the list of priority occupations to only 29 occupations may allow for a better control of the volume of immigrant applications and a better fitness in facilitating current labour market needs. However, these may also lead to negative consequences onto long-term growth. Using the priority occupations list as the basis for the selection process places high emphasis on the occupational aspect of individual's skills as opposed to stressing the overall quality of human capital and its adaptability to the changing economy.³

Moreover, streamlining the FSW program into a narrow set of occupations stifles the ability of the immigration system to facilitate the changing needs of the labour market. The adjustment time that may be required for revising the list and processing already submitted applications may lead, for instance, to a recurrence of over-supply of certain type of skilled workers observed in the early 2000s. At the turn of the millennium for example, information and communications technology professionals were in high demand. The burst of the IT bubble naturally reversed this situation; however, the FSW program continued accepting applicants in these fields resulting in the arrival of immigrants with specific skills that were no longer in demand.⁴ The proportion of recent immigrants who arrived in Canada between 2001 and 2006 holding a university degree in computer and information sciences was three times higher than the proportion of Canadian-born workers holding a similar degree.⁵

The Provincial Nominee Program (PNP), another important pillar in Canada's immigration system, allows provinces to respond to particular economic needs by nominating individuals who meet specific local labour market demands. Similar to the FSW program, the PNP selection process places a strong emphasis on candidates' skills and the presence of a legitimate employment offer from a Canadian employer. However, while applications to the FSW program are constrained by the list of priority occupations and a cap on the overall number of applicants accepted for processing each year, the PNP does not have similar limitations. As a result, the number of newcomers entering Canada through the PNP has expanded dramatically growing five folds over the past five years and contributing some 20% of all economic class immigrants in 2010.⁶

Within the PNP, each province has its own framework and criteria for identifying and nominating potential workers. For instance, in some provinces, only highly-skilled workers are eligible to be provincial nominees while other provinces also accept low-skilled workers. Differences also exist regarding Canadian work experience: some provinces require the nominee to having first worked as a temporary worker while other provinces nominate individuals directly from overseas.⁷ While differences in the selection process may be effective in satisfying the current regional needs, the motivation behind the selection is largely determined by the current labour market forces. In the absence of a minimum national standard on the eligibility criteria of PNP nominees, the ability of the economy to rely on immigrants' human capital over the long-term may be sub-optimal.

And while the Temporary Foreign Worker (TFW) Program is not principally designed for immigration purposes it does provide for transition from temporary to permanent resident status through the Canadian Experience Class (CEC),⁸ the FSW program and the PNP. Similar to the PNP, the number of workers coming to Canada through the TFW program has increased significantly in the past years. Between 2006 and 2010, the total number of temporary foreign workers averaged approximately 171,000 a year, or an equivalent (on average) of 67.7% of all permanent residents admitted annually.⁹

The legislation coming into force in June 2012 introduced a new wage structure that allows employers to pay temporary foreign workers in high-skill occupations wages that are up to 15% below the median wage in that occupation in a specific region. This may be of a short-term benefit to employers however the long-term implications may not be as beneficial. In some instances, labour shortages that are mitigated through reliance on temporary foreign workers may be caused by unwillingness of Canadian workers to engage in the labour market at the prevailing wage in the recruiting jurisdiction. Increasing the wage may, at least somewhat, re-balance labour supply whereas tapping into foreign labour using wages below the median level may maintain the existing disincentives to work and may put downward pressure on the median wage over a longer-term. As such, the influx of temporary workers at the wage below prevailing levels can result in long-term unemployment disparities and employment frictions across provinces.

Immigration has become vital in addressing short-term labour market imbalances and in building a strong and competitive workforce. Over recent years, considerable efforts have been made to improve the Canadian immigration system including modifying selection rules, strengthening language requirements and introducing new programs such as the CEC. However, the increasing use of the TFW and the PNP programs, and the narrow occupational approach used in selecting skilled workers through the federal program directs the fundamental focus of the immigration system toward responding to current, short-term pressures. Focusing on the adaptability and characteristics of newcomers' human capital and their longer-term potential, emphasizing the youth and language proficiency, and aligning employer-sponsored immigration with the economy's longer-term goals may encourage further fine tuning intended to accentuate more holistic economic outcome and international competitiveness.

Notes

- 1 The economic class includes federal and Quebec–selected skilled workers, federal and Quebec–selected business immigrants, provincial and territorial nominees, the Canadian Experience Class, and live-in caregivers, as well as their spouses and dependants.
- 2 In order to determine eligibility, the applicant must meet a minimum of 67 out of 100 points on the selection factor scale. The scale is made up of 6 factors where certain factors are worth more than others. The selection system allocates a maximum of 25 points for education level, 24 points for language proficiency, 21 points for work experience, 10 points for age, 10 points for arranged employment and 10 points for adaptability.
- 3 Alboim, N. (2009). *Adjusting the Balance: Fixing Canada’s Economic Immigration Policies*. The Maytree Foundation.
- 4 Drummond, D. and Fong, F. (2009). *An Economics Perspective on Canadian Immigration, IRPP Policy Options*, July-August 2010, p. 32.
- 5 Statistics Canada. (2007). *Educational Portrait of Canada, 2006 Census: Immigration*. Statistics Canada 2006 Census: Analysis Series, p. 17.
- 6 Citizenship and Immigration Canada – Facts and Figures 2010.
- 7 Alboim, N. (2009). *Adjusting the Balance: Fixing Canada’s Economic Immigration Policies*, The Maytree Foundation, p. 35.
- 8 The Canadian Experience Class allows temporary residents that have been either working or studying in Canada for at least 24 months to apply for permanent residency.
- 9 Abbott, M. G and Beach, M. C. (2011). *Do Admission Criteria and Economic Recessions Affect Immigrant Earnings?* IRPP Study, no. 22, Footnote 23.

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