

# **Knocking Down Barriers Faced By New Immigrants To Canada**

*Fitting the Pieces Together*

February 7, 2012

## **TD Economics**

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# SPECIAL REPORT

## TD Economics



February 7, 2012

### *Executive Summary*

# Knocking Down Barriers Faced By New Immigrants To Canada

## *Fitting the Pieces Together*

Much ink has been spilt on the difficulties faced by newcomers to Canada and, in particular, the challenges of integration into the labour market. The barriers they face, including inadequate language skills and credential recognition issues, are reflected in the widening gaps in labour market outcomes relative to native-born Canadians. This has quickly become one of Canada's most pressing public policy challenges as immigrants now account for more than 1-in-5 Canadians. And with the oncoming retirement of the baby boomer generation, immigration's role in the Canadian economy will only grow. Thus, addressing these integration issues is crucial for the long-term prosperity of all Canadians and would yield enormous benefits. For instance, simply closing the gap in employment rates between newcomers and native-born Canadians would equate to approximately 370,000 additional people working.

Fortunately, a radical overhaul of our immigration system is not required to achieve significant positive change. Indeed, Canada's system is often looked to as a model by the many other countries that also struggle with the same demographic changes. But while many of the pieces appear to be in place, some need to be added and/or rearranged to make it all fit together. We identify two critical areas of reform: the federal and provincial selection processes and the network of immigrant settlement services. The opportunities available to reap efficiencies suggest that there are adequate resources in the system already, an important conclusion in light of a fiscally constrained environment.

The various federal and provincial programs through which skilled immigrants are admitted, the Federal Skilled Worker (FSW), the Provincial Nominee (PN), and the Temporary Foreign Worker (TFW) program, are all seemingly designed to address short-term labour demand. This has created significant overlap, while leaving the job market's long-term needs unaddressed. The needs of employers could be much better met by a more coordinated approach. The PN and TFW programs are much better positioned to identify and respond to the rapidly changing needs of the labour market and they should remain focused on short-term needs. However, the PN programs could benefit greatly from adopting similar standards and practices.

In turn, the FSW program should shift towards meeting the job market's longer-term demand, with a heightened focus on language proficiency. This will require a labour market information system that is able to identify current and future high-demand occupations and a systematic, transparent method of changing the eligible occupations for the program. A minimum language threshold for principal appli-

cants would also help ensure better labour market outcomes for newcomers.

In light of the poor economic outcomes of newcomers, many organizations providing settlement services have popped up over the years. However, the patchwork way in which services are delivered, such as language training programs, has resulted in uneven outcomes for newcomers. Many have fallen between the cracks. Newcomers could benefit through a more integrated approach to service delivery in which agencies adopt similar best practices. Along the same vein as the provincial nominee programs, the federal government could consider a devolved settlement funding arrangement in which the provinces are given a lump sum of settlement funds. Having a better idea of what services best suit the needs of the immigrants present in their own jurisdictions, the provinces are better placed to fund particular organizations to optimize service delivery and outcomes.

This standardization must apply, in particular, to language programs and credential recognition services given the importance of the two to success in the labour market. Consideration could be given to standardizing the curriculums for federally/provincially-funded language programs to a single model which has measured levels of success. For credential recognition, a longer-term goal would be to have national regulatory bodies for all regulated occupations and harmonized equivalency requirements. However, this may not be possible in the near-term given the complexities of the accreditation process. Another potential solution would be to develop and expand the roles of fairness commissioners across all provinces and more aggressively pursue mutual recognition agreements.

The federal government should also expand the Canadian Immigrant Integration Program, which provides pre-arrival services, to more countries around the world and consider setting up a similar integration portal here in Canada. Such a portal would be used to extend upon what was achieved at the pre-arrival stage. Newcomers could find out where to go to obtain the specific services, databases of immigrant skills and experience could be created, and businesses could use it to connect to the skilled professionals that they need.

Lastly, more frequent data is needed on the integration of newcomers. Much of the current analysis on the poor labour market outcomes of immigrants was taken from a single survey conducted over a 5-year period which happens to coincide with the tech bust. At the time, Canada was admitting large inflows of immigrants with IT-related credentials, which may have skewed the overall picture. Ongoing information is needed to truly assess both the economic outcomes of newcomers, and our efforts in addressing this issue.

Canada admits hundreds of thousands of highly-educated, highly-skilled immigrants each year to meet labour demand or to fill skills gaps. And yet, any reason for participating in skilled immigration is rendered null and void if those immigrants ultimately take lower paying jobs unrelated to their training because of the labour market barriers that they face. Solving the issues immigrants currently confront is crucial to our long-term prosperity and we have all of the pieces necessary to do so. At the moment, we have fit many of those pieces together in a patchwork way. Now, we need to organize those remaining pieces and complete the puzzle.

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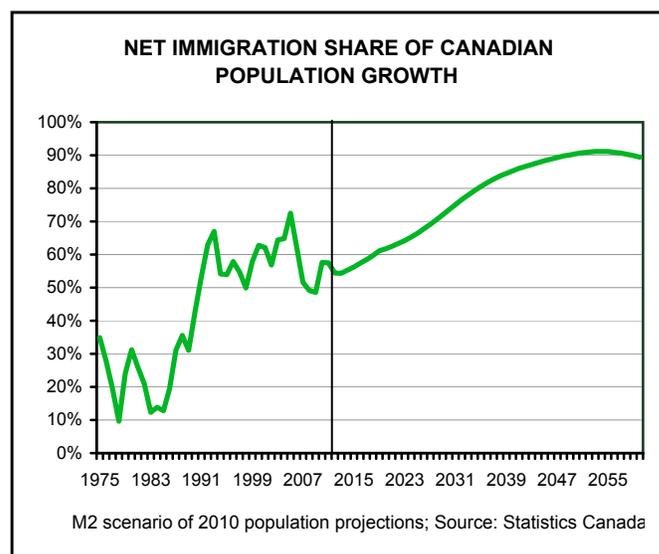
# Knocking Down Barriers Faced By New Immigrants To Canada

## *Fitting the Pieces Together*

The issue of growing gaps in labour market outcomes between newcomers and native-born Canadians ranks as one of the country's most pressing public policy challenges. On many occasions, TD Economics has highlighted the poor economic outcomes of newcomers. Based on our assessment, a major overhaul of the system is not the answer. Indeed, Canada appears to be further along than other advanced countries in dealing with the plight of immigrants. But while many of the pieces appear to be in place, some need to be added and/or rearranged to make it all fit together. The over-riding goal of Canada's immigration reform needs to be two-fold. First, the process for how this country selects immigrants requires strengthening, with particular focus on a clearer delineation and coordination of current federal and provincial programs and heightened emphasis on language proficiency. Second, the myriad of immigrant settlement services in major cities, such as the Greater Toronto Area – many of which are highly innovative and involve the private sector – could be made considerably more effective in part through better cooperation among service providers. And, here, we are not just referring to services available to immigrants once they settle in Canada, but also prior to their arrival. The opportunities available to reap efficiencies suggest that there is enough money currently in the system to achieve significant positive change – an important conclusion in light of the fiscally-constrained environment.

### Canada: a land of immigrants

There is widespread consensus that immigration has the potential to deliver substantial economic and social benefits to receiving countries. Newcomers complement the skills of the domestic labour force, bring new investment and innovative practices, help to open trade routes with their countries of origin and enhance cultural diversity. There are some well-publicized concerns that immigrants displace low-skilled workers, drive down wages, or act as a drain on public resources. However, the findings of a recent study of 14 receiving OECD countries over a 25-year period indicate that the opposite is true. The authors found little evidence of widespread crowding-out of native workers. Instead, immigration actually increased employment and there was no short-term or long-term impact on each country's respective productivity level. Put another way, their findings suggest that immigration increases a receiving country's productive



capacity without ever affecting average wages or average income per person.

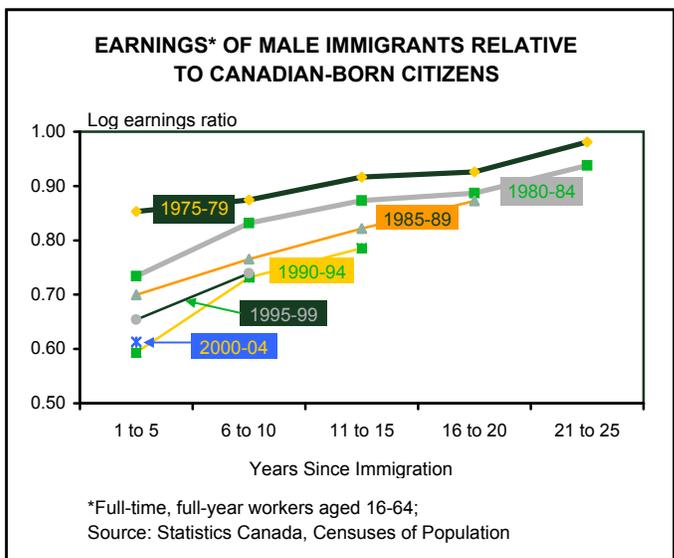
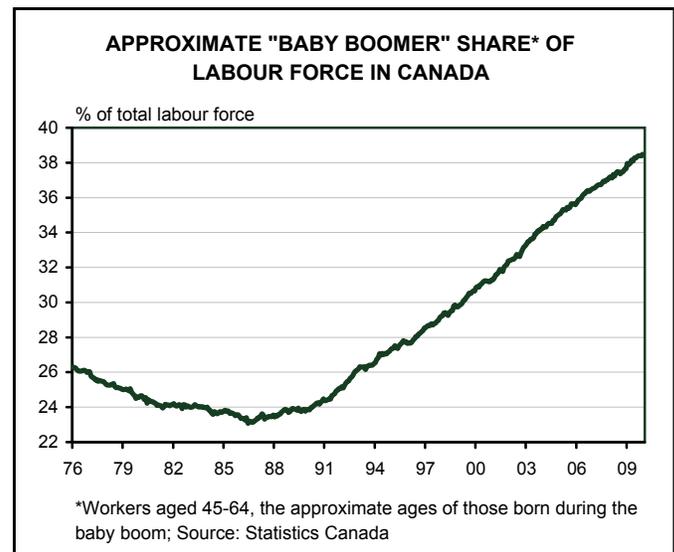
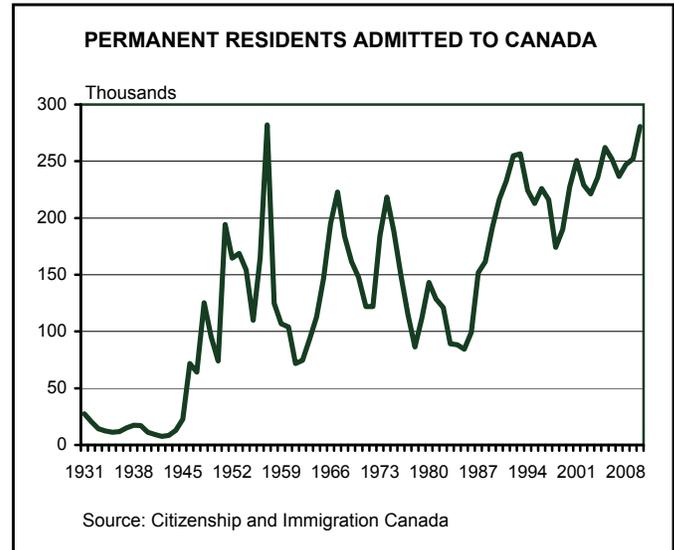
Canada has one of the highest immigration rates in the OECD – behind only France and the United States in absolute numbers, and Luxembourg and Australia on a per capita basis. In 2010, the country accepted more than 660,000 permanent and temporary residents from abroad. Of this total, 280,000 were permanent residents, which largely consist of skilled workers, investors, entrepreneurs, family class immigrants, and refugees. The remainder were admitted on a temporary basis – i.e., for short-term work or student visas – or based on humanitarian situations. Large inflows of immigrants have been admitted into Canada over the past few decades, just less than 1% of the domestic population on average each year, so it is perhaps not surprising that about one-in-five Canadians currently was born outside of the country.

With the oncoming retirement of many baby boomers, the Canadian job market will be faced with significant skilled labour needs in the coming years, putting an ever-increasing focus on immigration to fill the resulting skills gaps. In fact, Statistics Canada estimated that immigration accounted for 100% of the country’s net labour force growth last year. This trend of a slowing labour force growth is not isolated to Canada. As such, skilled immigration will define the landscape of the global labour market over the longer term as nations compete for a relatively small pool of skilled labour. An effective immigration system will thus be critical to the long-term prosperity of Canada, not only to fill skill shortages, but to compete on the international stage.

**No shortage of impediments to economic success**

Unfortunately, Canada’s current immigration system leaves much to be desired. In recent years, much ink has been spilt about the difficulties confronted by newcomers on arrival, and in particular, integrating into the workplace. Despite coming to Canada armed with higher-than-average educational attainment, newcomers have recorded worsening relative labour market outcomes compared to the non-immigrant population. Alarming, the differentials are poorer for those with post-secondary education than for those without.

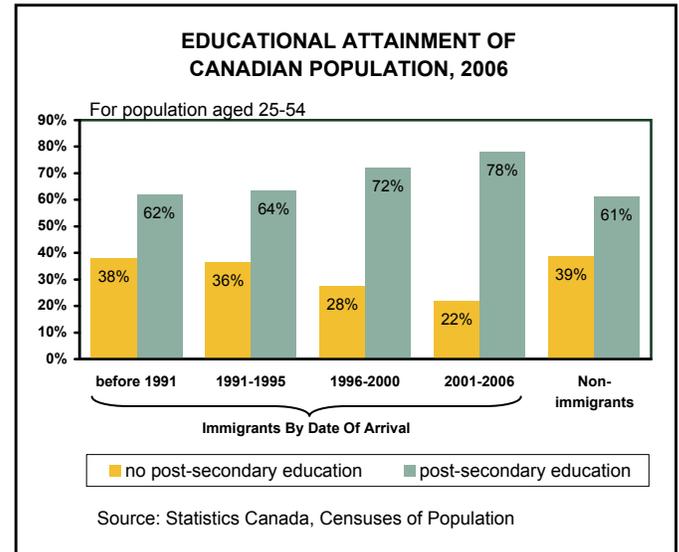
In the past, immigrants could hope to close the earnings gap over time, but that goal is increasingly becoming out of reach. A male immigrant who arrived in the late 1970s earned roughly 85 cents for every dollar earned by a Cana-



dian-born within the first 5 years upon his arrival. That gap closed to 98 cents within 25 years, basically eliminating it. However, that disparity has become both larger and more difficult to close with each new cohort of immigrants. Those individuals who landed between 2000 and 2004 earned just 61 cents on the dollar relative to a Canadian-born. The simple but sad truth is that many new immigrants cannot hope to close the earnings gap in their lifetime.

Several important contributors to these poor outcomes are well known and can be traced back through history. When Canada began targeting high-skilled immigrants in the late 1960s, the majority of newcomers were comprised of Americans and Western Europeans. However, since the mid-1990s, sources of immigration have shifted decidedly towards Asian nations, with some four-fifths of new immigrants now having a mother tongue that is neither French nor English.

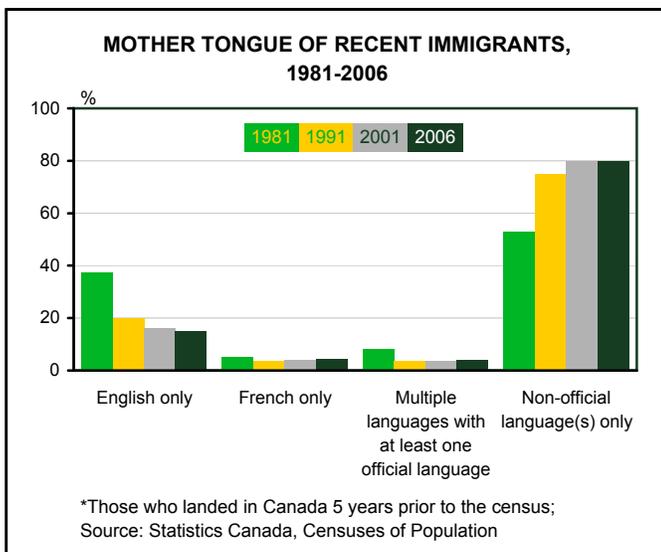
While this geographical broadening enabled strong immigration rates to be maintained, this opened up new challenges related to the assessment of international work experience and credentials, in addition to a greater diversity in languages and official language capacity. Employers – especially small and medium-sized enterprises – have been increasingly faced with foreign education, professional certifications and work experience for which they have neither the tools nor the ability to properly assess. These challenges have been instrumental in creating the classic “doctors driving cabs” phenomenon. Meanwhile, with Canada’s popularity as an immigration destination, growing backlogs of applications estimated to be 450,000 developed

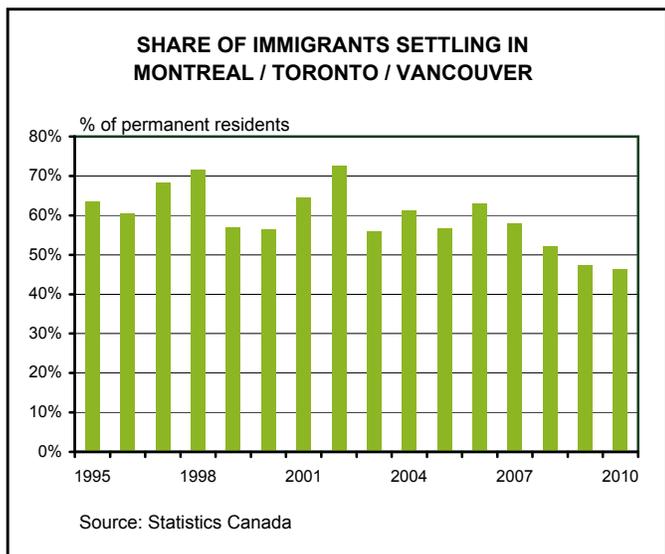


under the Federal Skilled Worker Program, which is the main vehicle in this country for bringing in residents on a permanent basis. However, the reality was that the federal program was not providing any immigration to many areas of the country including the Prairie and Atlantic provinces and the nation’s smaller communities.

In response to the limitations of the federal immigration selection system in recent decades, others have moved in to pick up the slack both in terms of selecting immigrants and helping them settle:

- All provincial and territorial governments (excluding Nunavut) have worked with the federal government to establish their own programs to “nominate” skilled workers over the last 15 years. (Under the 1991 Canada-Quebec Accord, Quebec has had full responsibility of the selection of immigrants except family class and in-Canada refugee claimants, but has also had some authority over its own selection since the 1970s). These nominee programs are mostly employer-driven, whereby businesses seek approval for particular skilled immigrants and then apply under the provincial program for admittance into the country .
- Businesses have stepped up to take advantage of the federal temporary foreign worker program in order to meet their labour needs. In fact, as those brought in under the Federal Skilled Worker Program remained relatively steady at around 110,000 per year over the last decade, the number of provincial nominees entering Canada increased fifteen-fold, while the number of temporary





foreign workers increased from 120,000 to 180,000 annually.

- Many community-based programs and services have been developed to help newcomers as they attempt to get a footing in the job market. While there are benefits to regions developing programs to meet local needs, the rapid expansion in the number of players dealing with settlement and integration services created a complex and patchwork system. Regrettably, many newcomers have fallen between the cracks.

Recent statistics suggest that a change is underway as to where new international migrants are choosing to settle. Less than ten years ago, Toronto, Montreal and Vancouver (referred to as MTV) were the destinations of three-quarters of all new permanent residents to Canada. Today, this share has declined to less than half, as many are increasingly choosing to locate in cities such as Winnipeg, Saskatoon, Regina, Edmonton, Kelowna, or Saint John. The PN programs have also redirected many newcomers away from the larger metropolitan areas towards Canada's hinterlands, where perhaps employment and settlement prospects might be better. These shifts imply that the challenges associated with accepting and settling newcomers will continue to become more national in scope rather than merely just an issue for a few select big cities.

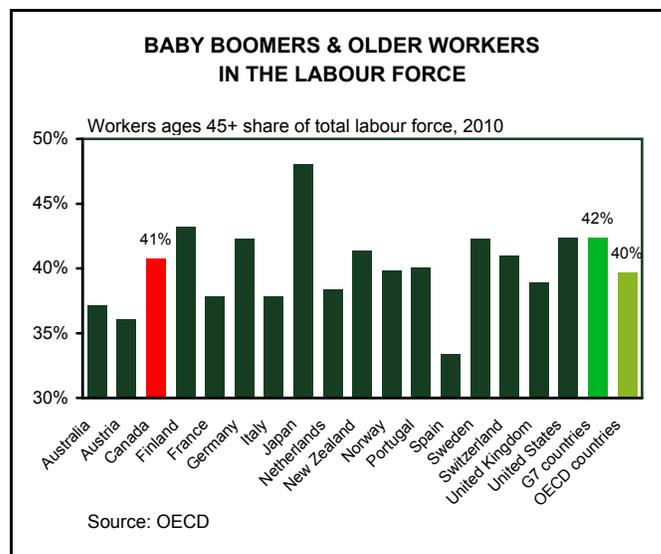
**Longer-term benefits to tackling this problem substantial**

The economic and social benefits of tackling the poor

job market outcomes of immigrants are not insignificant. Indeed, simply raising the employment rate (the share of the working-age population that is employed) of immigrant workers to the same level as non-immigrants is equivalent to roughly 370,000 additional people working. A recent estimate of the potential increased personal income if newcomers' skills were rewarded on par with that of native-born Canadians topped \$30 billion or 2 per cent of GDP. This income would go a long way towards reducing dependence of many new Canadians on social programs, not to mention boost government tax revenues, consumer spending and housing markets. Still, the rewards of eliminating gaps in wages and labour market participation rates would be especially significant from a longer-term economic perspective. There will be fierce competition in the global economy for talent. As such, Canada would gain a major competitive advantage if this country were recognized around the world as one where all migrants are successful in being able to practice their own trade and raise their standard of living. As of yet, no major country has been able to stake this claim.

**Putting the pieces together**

In light of these potential benefits, knocking down the barriers that have been erected in the way of successful settlement and labour market integration in Canada must become a high priority. Part of the answer appears to lie in innovative solutions to immigrant woes being delivered abroad. For example, Vienna has developed business incubation agencies that provide support to both domestic and immigrant entrepreneurs in their mother tongues. In Lisbon,

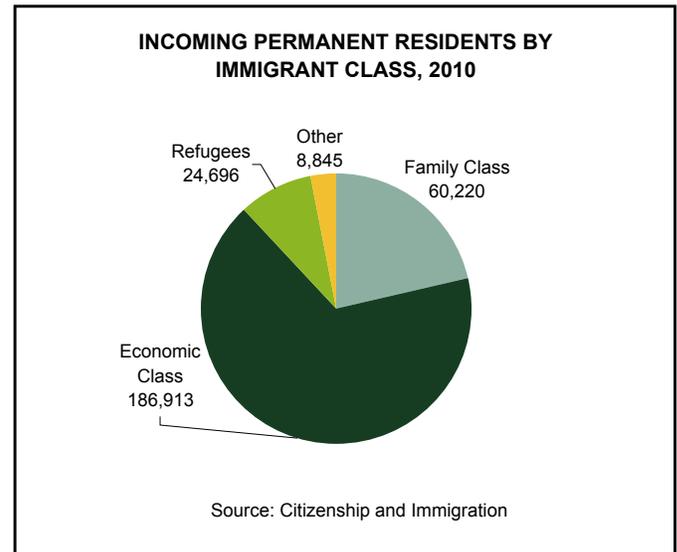


a shortage of doctors led to the creation of the Professional Integration of Immigrant Doctors project which led doctors through the complex process of getting their credentials recognized and finding employment. However, there is no magic bullet available. Just as Canada has been struggling with this complex issue, so too have many others that engage in skilled immigration. Although differing political, social and economic dynamics across countries limit the ability to import a model wholesale from abroad, Canada can still learn from experiences in other countries – notably, Australia and New Zealand – where these dynamics are more similar.

That being said, Canada appears to be further along the curve than many other countries in tackling immigrant challenges. This is because few countries have sourced individuals from such a diverse array of destinations and cultures, and as such, have not been wrestling with this issue quite to the same extent. There is already a sophisticated infrastructure in place in the country’s major cities. What might come as a surprise to many Canadians is that this country is generally looked upon favourably due to its perceived success at attracting and retaining a disproportionate share of high-quality migrants. The high degree of acceptance of visible minorities and high quality of life are among two key factors that often get bandied about as success factors. In fact, many countries – including Sweden, Germany, and Japan – are now looking towards Canada as a model in developing immigration systems for targeting high-skilled immigrants. What’s more, some good steps have been taken in recent years to fix some of the system’s inherent problems. Nonetheless, the experiences of immigrants clearly indicate that much more needs to be done.

**Strengthening the selection system**

The immigrant selection process is critical to ensuring



that those who come into the country have the marketable skills necessary to meet the needs of Canada’s labour market. As already noted, the Federal Skilled Worker (FSW) Program is Canada’s primary selection process for bringing in skilled workers. The program is currently set up under a points-based evaluation system. Originally developed in 1967, Canada was the first country to develop such a selection system which has now been adopted by several other countries including Australia and New Zealand. Quebec’s selection process operates under a similar points framework. In general, permanent residents to Canada can be broken down into three classes: economic, family, and refugee/humanitarian. Of the 280,000 permanent residents that entered Canada in 2010, about two-thirds were economic (which includes spouses and dependents in addition to principal applicants), one-fifth were family and less than one-tenth were protected persons (including refugees and other humanitarian cases). The balance has shifted slightly towards the economic class over the past several years. But while there are good arguments in favour of this tilt in the balance, the federal government must be careful not to swing too far. Those with friends and family are more likely to be successful as they can leverage their networks to find work and integrate more effectively into society.

Over the past few years, the federal government has taken steps to more specifically target the pressing needs of the labour market and reduce the large application backlog. In 2008, it was announced that FSW applications would be restricted from 351 named occupations, such as doctors and nurses, to only 38. This was further reduced to

SHARE OF POINTS ALLOCATED BY SELECTION CRITERIA AND BY IMMIGRATION SYSTEM				
Criteria	Canada	Quebec*	Australia	New Zealand
Education	25%	23-26%	30%	25%
Language	24%	18-21%	13%	Mandatory
Work Experience	21%	7%	5%	23%
Age	10%	13-15%	15%	12%
Arranged Employment	10%	8-9%	10%	23%
Adaptability*	10%	31-36%	27%	19%
Maximum Points	100	107-123	200	265
Pass Mark	67	55-63	120	140

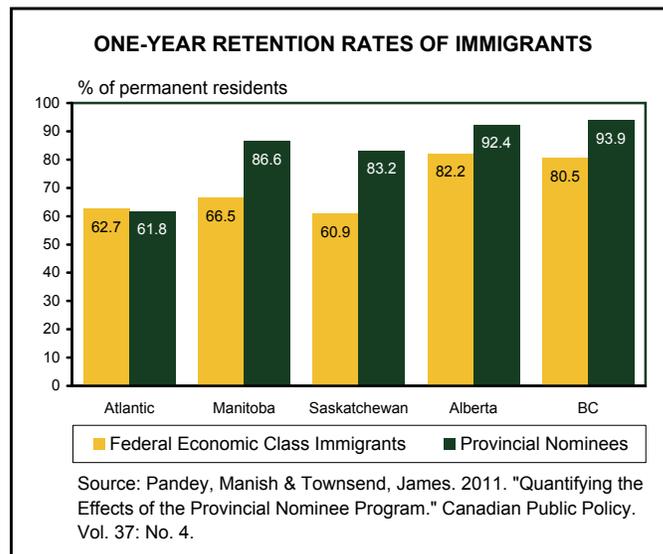
\*Minimum pass marks differ in Quebec for single applicants relative to those with spouses/partners; Source: Citizenship and Immigration Canada

29 occupations in July 2011. Any application that did not fall under these occupations or did not have an offer of arranged employment was immediately rejected and refunded, and eligible applications would be fast-tracked, helping to prevent any additional growth in the backlog. The federal government also unveiled a plan to establish a new stream – the Canadian Experience Class – which would make it easier for certain temporary foreign workers and international students to apply for permanent residency. Almost 4,000 were granted permanent status under the CEC in 2010 alone. Lastly, new rules were introduced to prevent businesses from abusing the Temporary Foreign Worker (TFW) program by limiting the number of years a TFW can remain in Canada cumulatively and tightening hiring regulations for them. These include stiffer penalties for illegitimate job offers and employers known to abuse the program will not be permitted to take advantage of the program in the future.

**Better delineation and coordination of program mandates would help**

Small tweaks to the current system will not get at what we see as a challenge with the general approach and the objectives of the various programs. In particular, the FSW, TFW and provincial nominee programs are all seemingly designed to address short-term labour demand, creating significant overlap, while the longer-term challenges of the job market are left unaddressed. With demographic pressures intensifying, the bigger risk facing many employers lies in their ability to replace retiring workers over the longer haul.

What is required is a clearer division of objectives. In

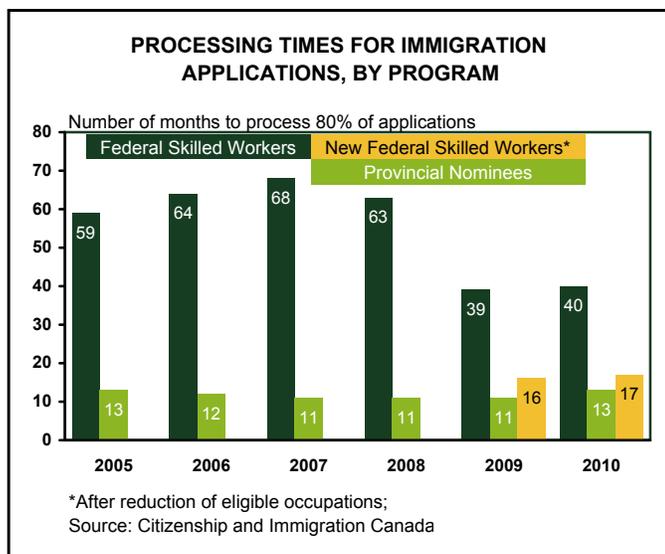


our opinion, the provinces and the private sector through their provincial nominee programs and the TFW program are better positioned to identify and respond quickly to their rapidly-shifting and varying short-term labour market needs. This would leave the federal government to shift the focus of its FSW program toward meeting the longer-term needs of the job market.

The inherent difficulty of the federal government trying to match short-term supply and demand of occupations is revealed by the experience of the early-2000s. At the time, the 2001 tech wreck caused a mass consolidation of the information technology sector and thus a substantial decline in opportunities for computer science and engineering degree holders. Meanwhile, waves of immigrants with those exact credentials were already waiting in the Federal Skilled Worker program queue and continued to arrive in Canada. Statistics Canada estimated that 50% of immigrant men who arrived between 2000 and 2005 had a degree in either of those fields. And the declining fortunes of the sector caused their median earnings to decline by 30% for computer science degree holders and 20% for engineers. The Federal Skilled Worker program, as it stands, is simply not nimble enough to respond to the rapidly changing needs of the Canadian labour market and is not likely able to do so in the absence of real-time data on labour market needs.

**Provinces need to better align selection practices**

The general short-term labour needs could be met by the various provincial nominee programs – that is, at least in theory. One of the common challenges of such a decen-



tralized regime, such as Canada's, is the fractured systems that develop across the jurisdictions. In the case of nominee programs, each has several different streams, varying requirements, and fee structures. These create a complex web that is difficult for many prospective immigrants to navigate and process, hence weighing on the nation's ability to attract top talent. In this vein, Canada can learn from some of the practices in Australia – a decentralized country where its territories play a particularly large role in the immigration system and where the system is more greatly streamlined. Although a prospective immigrant can apply to any of Australia's eight territories for nomination, the general requirements for all of the territorial programs are the same save for the eligible occupations that one can apply under. As of 2011, roughly half of Australia's permanent residents were sponsored by either a region-specific employer or directly by the states/territories.

The fact that the provincial nominee programs have evolved differently creates opportunities for provincial governments to draw on best practices to carry out this task. And more coordination among them would give much reason to expand their size. Manitoba has been widely regarded as a leader in attracting, integrating, and retaining skilled immigrants in a region that traditionally received only a small fraction of total inflows. Roughly one-third of the 36,000 nominees that arrived in Canada in 2010 came to Manitoba through its nominee program – an impressive feat given the province only accounts for 4% of the total population and 3% of the economy. Manitoba's nominee program is one of the

few that is not entirely employer driven and tries to attract immigrants beyond those with job offers, including international students, or those with strong ties to the province.

### **Federal temporary foreign worker program**

In our recommended approach of better delineating program objectives, the Federal Temporary Foreign Worker Program could stay geared towards meeting short-term labour demand but more as a complement – rather than a substitute – to the provincial nominee programs. Currently, both of these initiatives are generally employer-driven and there needs to be more distinction between the two. The federal government could consider leaving this program to target more specific skill sets that transcend the broad occupational categories the immigration system currently targets. For example, rather than admit an IT professional, the program would be reserved for very specific fields within the IT sector.

Such a program would provide benefits to companies, especially those in niche and innovative areas of the economy, that require unique skill sets that may not be easily met by the domestic labour force. Since the demands of such businesses are typically immediate and possibly long-term in nature, the design of the TFW program must satisfy three ingredients: quick approval times, a way for these workers to become permanent residents, and protection from abuse. In a positive step, the establishment in 2008 of the Canadian Experience Class by the current federal government is a major step forward as it creates an easier path to permanent residency

### **The Pilot Project for Occupations Requiring Lower Levels of Formal Training**

In 2002, the federal government developed a method for businesses to bring in lower-skilled workers on a temporary basis. Prior to its implementation, Canada had few ways of targeting these workers, with most programs being focused on higher-skilled workers and those with some form of post-secondary education. And there appears to be a legitimate need for such workers. The number of principal applicants and dependents entering through this program hit a peak of almost 70,000 in 2008, before slipping to roughly 35,000 as of 2010. About two-thirds of those workers have headed to the west in recent years, reflecting the surging growth of Alberta's energy sector prior to the recession and the growing demand for trades. More generally, many jurisdictions have complained of a shortage of skilled tradespersons as it is difficult to bring in individuals with these skills under the existing permanent programs. For example, even employment offers did not guarantee permanent residence under the Federal Skilled Worker program since they were still evaluated under the points system.

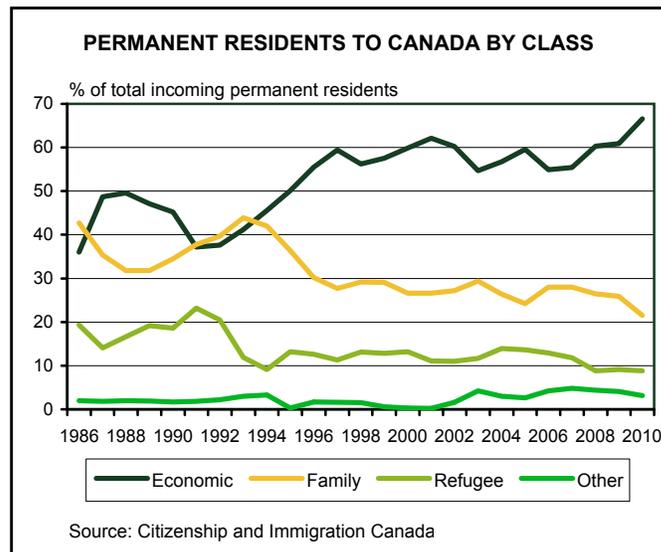
Critics of the pilot project argue that any take up of the program is more a reflection of the shortcomings of the other programs to meet the needs of employers. Moreover, they point to inherent risks such as the potential for illegitimate job offers and exploitation, growing population of undocumented workers, and the potential to circumvent one's local labour market restrictions.

In the absence of an in-depth evaluation and data on the program, it is difficult to assess whether these concerns are justified. The federal government needs to conduct an evaluation of this pilot project as soon as possible to ensure that workers are paid fair wages, that job offers are legitimate, and that the program is meeting a real need not accounted for by the other selection processes.

for temporary foreign workers that have successfully made contributions to the Canadian economy. In addition, the recent passage of tighter regulations surrounding temporary workers will help guard against abuse. However, the former goal of quicker approval times still needs to be addressed. Even prior to actually searching for – and nominating an immigrant – businesses go through a long process of searching for domestic talent and providing documentation to demonstrate that similar skills cannot be found domestically. Once they have proven that such labour is not available, they are given a document referred to as a labour market opinion, allowing them to seek temporary foreign workers. This assessment focuses on skilled temporary foreign workers and does not include the different streams of the program such as temporary farmhands or live-in caregivers, which operate under special regulations and face a different set of issues. Nor does it include low-skilled temporary workers, which we discuss in the textbox on the previous page.

**Realign federal skilled worker program on long-term needs**

With these changes aimed at dealing with short-term labour demand, the attention of the Federal Skilled Worker Program could then be focused on tackling arguably the more difficult task of filling the nation’s longer-term employment needs. One approach would be to return to the purely points-based evaluation approach prior to 2008, but with a stronger focus on language skills and Canadian experience. However, to some extent the federal government has already moved towards a hybrid system where an applicant is selected based on a points-based evaluation and whether

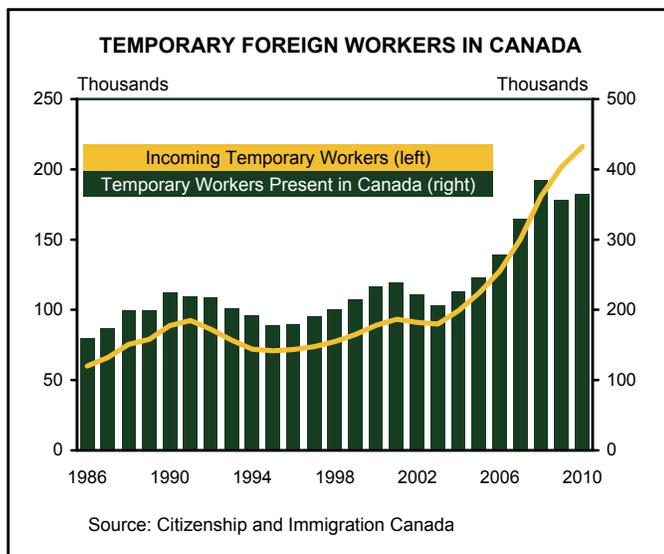


or not the individual falls into an eligible occupation (or has an offer of arranged employment). Given this, the current program should be supplemented with two key components:

- The development of a labour market information system to identify current high-demand occupations needed in the long-term and emerging trends in labour demand. The recent release of Statistics Canada’s job vacancy survey is a positive step in this direction.
- A systematic, transparent, and flexible method of changing the eligible occupations for the program.

While there are certainly merits to limiting the number of eligible occupations for the program (Australia’s immigration system has implemented this approach for many years), the current criteria for choosing these occupation groups is unclear. The Auditor General’s 2009 Fall report indicated that the federal government did not show how it settled on reducing the number of eligible occupations, nor any analysis on how this new restriction would help reduce the backlog, its associated risks, or its potential impacts. In addition, there is no system in place to change these eligible occupations. Even if the shorter list of occupations was driven by a longer-term projection of high demand areas, a mechanism needs to be implemented so that these occupations can be amended on a regular basis and in a transparent way. Otherwise, we risk falling into the same trap as with the large number of IT professionals brought in during the 2000-2005 period.

Effectively predicting high-demand occupations will require a combination of empirical modeling and regular



consultations with the private sector. Human Resources and Skills Development Canada (HRSDC) has already made major inroads with respect to modeling labour demand by occupational category. However, businesses are ultimately the job creators and direct consultation can yield crucial information regarding specific occupational demand that cannot be discerned through modeling alone. This could potentially allow the federal system to address shortages before they emerge. In addition, this process would benefit from provincial involvement, since they are well-placed to provide advice on the current and future skill needs in developing an effective labour market information network. More generally, with the provinces becoming a bigger player in immigration selection and settlement, they should have a seat at the table with respect to developing immigration policy. For example, a useful discussion could surround what the appropriate balance is between those entering through the federal system and those entering through the provincial

nominee programs. There are federal-provincial-territorial (FPT) forums which are used to discuss immigration policy. However, in many instances, the provinces are not directly involved in the development of policy, leaving much room to use these meetings to greater effect.

### **Language proficiency should be a larger determinant of admission**

A large body of empirical evidence suggests that language is one of the most significant factors in determining labour market success. An additional change the federal government could consider to the FSW program is creating a minimum threshold for language skills for principal applicants, a policy change that is currently in development within the federal government. Under the current points system, a total of 67 points are needed across six categories for eligibility. Language ability accounts for 24 of a maximum of 100 points. In theory, a prospective immigrant

### **The Greater Toronto Area – Parlay its large network of settlement services into a real strength**

While immigration is increasingly becoming a national story, the primary magnet for newcomers in Canada continues to be the Greater Toronto Area (GTA) – the destination of about one-in-three new immigrants to Canada. Toronto is widely considered one of the most diverse cities in the world with roughly half of its population born outside Canada and having representation from almost every country in the world.

This high degree of cultural and language diversity is beneficial, but has also placed enormous pressure on the community to fill the surging demand for services. Today, well over 300 agencies and organizations that provide some kind of service to help immigrants settle in Canada are listed within the GTA, by far the most of any region in Canada. These agencies are publicly and/or privately funded and provide an extremely wide range of services from finding affordable housing and providing counseling to victims of torture to building interview and language skills for internationally experienced professionals.

Among the hundreds of organizations, there are many that have developed unique and innovative solutions to the persistent labour market barriers faced by newcomers. For example, the Toronto Region Immigrant Employment Council (TRIEC) is one of the first public-private partnerships that recognized the value of connecting private sector employers with the talented newcomers that could fill skill gaps and the tools needed to hire, integrate, and retain them. Through novel solutions such as having executives from large companies mentor immigrant professionals, organize internship arrangements and other temporary employment opportunities, they have demonstrated that the perceived risk of hiring immigrants can be mitigated through communication. TRIEC builds partnerships with agencies, ranging from employers to post-secondary institutions, which provides a successful case of coordination of services and expertise. And this organization has proven to be so successful that similar regional employment councils are now being adopted from coast-to-coast in Canada in cities and provinces such as Vancouver, Calgary, Saskatchewan, New Brunswick, and Halifax. It is being copied even as far as New Zealand. ACCES Employment also utilizes mentoring to connect employers and immigrant professionals, but this model does so using its own twist on speed dating called speed mentoring. Other agencies like COSTI Immigrant Services, the Learning Enrichment Foundation, or the city's wide network of local welcome centres provide job search workshops and language training for immigrants seeking employment. In addition, many of Toronto's district school boards and all of the colleges in Toronto such as Seneca or Centennial are crucial in delivering the federal government's Language Instruction for Newcomers to Canada (LINC) and the Ontario government's occupational-specific language training (OLST) program.

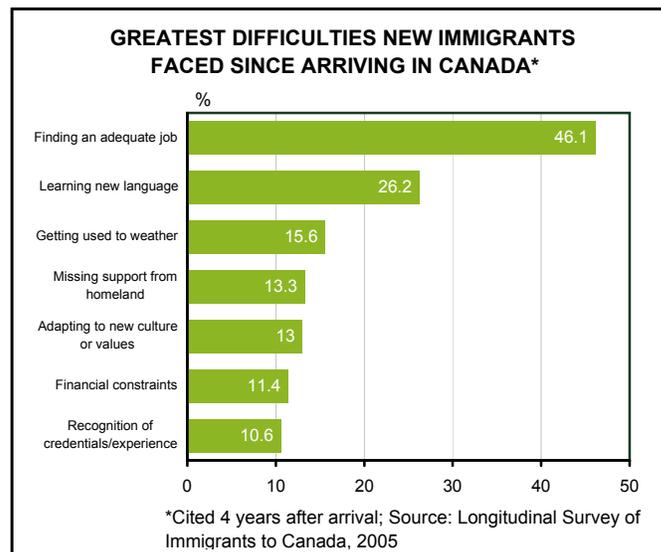
The rapid growth of these agencies has also created a challenge. While many are successful in helping small pockets of newcomers, competition for public funding and a lack of coordination among them has led to pockets of success. Many among Toronto's immigrant community consistently fall through the cracks and will continue to do so without a broad strategy for service delivery, standardization of certain services, and the engagement of employers.

with absolutely no ability to speak either official language can still gain acceptance into the country. In Australia and New Zealand, for example, governments have implemented minimum language thresholds, based on the International English Language Testing System (IELTS) which could be mirrored in Canada (possibly utilizing the Canadian Language Benchmarks).

**Immigration settlement: challenge has spawned many innovative services**

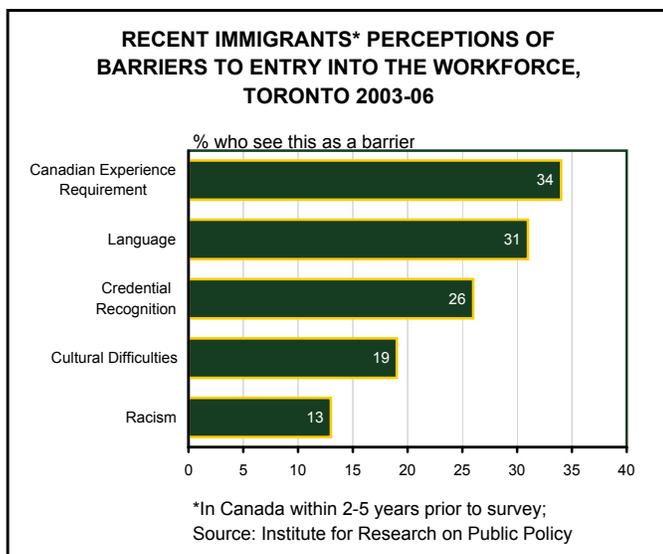
Reflecting the growing diversity of newcomers to Canada, the myriad of languages spoken and the challenges faced by migrants upon arrival, many innovative community-based groups and public-private-partnerships that deliver critical settlement services have been spawned in Canada. These services include language training, job search and interview skills training, help with finding affordable housing, counseling for refugees, bridge training, and one-on-one mentoring, to name a few. This is especially the case within the Greater Toronto Area, which has been home to the largest and most diverse share of immigrants among Canadian urban areas (see text box on previous page). Still, as we argued at the outset of this report, even mid-sized cities are starting to confront similar issues and witnessing rapid growth in service delivery organizations.

While funding constraints are usually a challenge, it is our sense that government funding levels are not the overriding issue with respect to immigrant settlement services. In fact, the federal government has ramped up settlement services funding significantly over the last 5 years from less than \$200 million in 2006 to almost \$600 million last



year (excluding Quebec). Provincial and local governments share an important part of the funding burden as well. And although figures on provincial and local spending earmarked to assisting immigrants are not readily available, it is likely that these governments, too, have been allocating increased resources to this cause. Community-based groups have also likely enjoyed increased support from the private sector contributions and personal charitable giving over the past decade.

While there seems to be significant money already in the system, the bigger issue is how the money is currently being divvied up. The rapid growth due to the growing service demands of immigrants has created a patchwork of service delivery organizations. Many of these services target specific local needs. Even taking this important aspect into account, there are significant opportunities to reduce overlap and boost efficiency through a more coordinated approach. The federal government could consider a devolved funding arrangement in which the provinces are given a lump-sum of settlement funds. Having a better idea of what services best suit the needs of the immigrants present in their own jurisdictions, the provinces are better placed to fund particular organizations to optimize service delivery and outcomes. This arrangement was offered by the former federal government in the late 1990s concurrent with the development of the provincial nominee programs, but was ultimately accepted by only Manitoba and B.C. (Quebec has had authority over its own settlement funding since the early 1990s). The other provinces that saw little need for a provincial selection system were not given the option of devolved funding. Thus, since it holds the purse strings, the

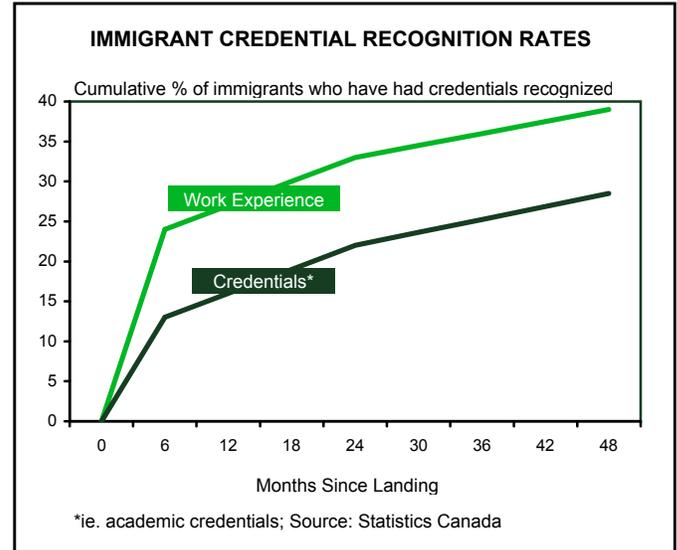


federal government has the ultimate say in how services are realigned and/or standardized based on best practices.

Case in point is language training programs, which is an especially critical element in the system. Currently, there is a multitude of available language courses across the country providing support to newcomers with varying degrees of language proficiency. As such, there is little way for immigrants – and prospective employers – to gauge with confidence beforehand the effectiveness of the training courses. Consideration could be given to standardizing the curriculum. For example, the federal Language Instruction for Newcomers to Canada (LINC) program, which several provinces have supplemented with their own occupational-specific curricular component, would likely be more effective at ensuring the desired language outcomes through standardized training. However, the limited quantitative data available makes it impossible to assess the effectiveness and efficiency of the existing LINC & ESL programs. There is some qualitative evidence that is positive. However, a deep assessment of the existing language programs could identify ways to improve their impact. Further exploration would be required prior to undertaking this reform.

**Credential recognition needs to be streamlined**

Another glaring example of a lack of coordination that exists within the settlement services network lies with recognizing the credentials of newcomers. Processing credentials from almost 200 countries where standards and practices vary wildly relative to Canada is complex. And any system in place to evaluate those credentials needs to ensure that

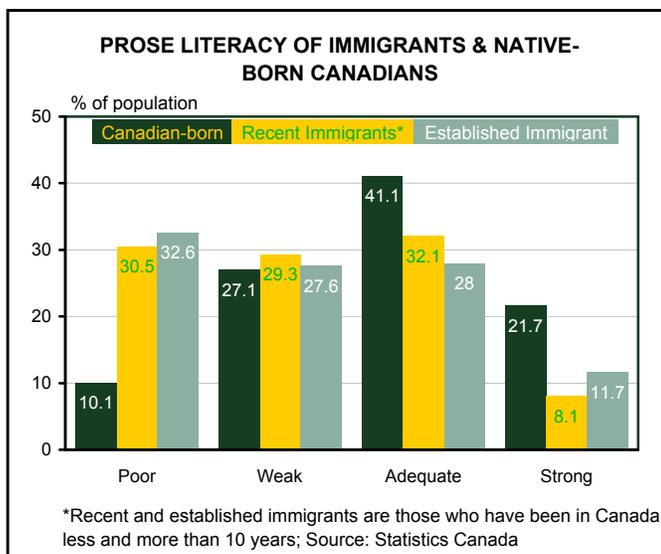


the standards that Canadians expect of Canadian-born professionals are upheld.

Jurisdiction over credential recognition is, in most cases, held by the provinces but is delegated to professional regulatory bodies. The challenge here is similar to that of the provincial nominee programs. For any given regulated occupation – nurses and other kinds of health practitioners, any kind of engineer, and lawyers, for example – there are differing provincial standards and practices. That means that an individual seeking recognition for their credentials would need to apply to each provincial regulator, where the assessment is often based on different rules and criteria.

Clearly, a more efficient approach would be to have a single regulator assessing credentials for each occupation. Harmonizing equivalency requirements across the provinces would be desirable over the longer term. In the meantime, national regulatory bodies could apply the differing provincial standards, as there would still be efficiencies in having a “one-stop” shop. On the plus side, there have been steps taken in the right direction. A number of professions already have national regulatory bodies, such as the Canadian Engineering Accreditation Board or the Medical Council of Canada.

Given the complexities of the accreditation process, this may not be possible. Another potential solution would be to develop and expand the role of fairness commissioners and to aggressively pursue mutual recognition agreements across the provinces. Currently in operation in only a handful of provinces, fairness commissioners are delegated the responsibility of overseeing the credential recognition pro-



cesses for all regulated occupations within their province. A more efficient system would be to have commissioners in every province/territory armed with the power to enforce accreditation standards and levy penalties on those who do not follow them.

Several provinces have already implemented mutual recognition agreements, including the New West Partnership Trade Agreement between B.C., Alberta, and Saskatchewan. These agreements ensure that if a professional is accredited in one province, they are free to practice in others. And encouragingly, more agreements are likely in the pipeline after the recent development of the Pan-Canadian framework for the Assessment and Recognition of Foreign Qualifications from the 2009 First Ministers' meeting. Such relationships ensure that immigrants' success in the labour market is not restricted to any particular province.

### Services should begin before people arrive

As a testament to some of the innovation in Canadian settlement services, Canada has become a global leader in terms of providing pre-arrival assistance. In 2007, the federal government – through funding to the Association of Canadian Community Colleges (ACCC) – established the Canadian Immigrant Integration Program (CIIP). Set up as a pilot project, CIIP is now a three-year program (2010-13). The initiative prepares newcomers for economic integration while they are overseas during the final stages of the immigration process. In addition to a number of delivery locations, CIIP offices are currently located in China, India, the Philippines and the UK. In essence, the CIIP was designed to begin the integration process before the immigrant arrives. Immigrants are coached regarding what kind of documentation they need to bring, where to access services once they arrive, are connected with orga-

### The Business Case for Diversity

A critical aspect of the integration process of newcomers is the role of employers. While much of this discussion has focused on improving selection processes and settlement services, businesses will ultimately be the ones hiring these newcomers. Success for these businesses will require awareness of the oncoming structural changes, the benefits to diversity, and an increased involvement in addressing the issues faced by the immigrant community. Newcomers will only become more important as they account for an increasing share of both population and labour force growth. This implies that not only are the customers of businesses becoming more diverse, but the pool of talented resources from which they recruit is also changing. Diversification in hiring practices enables businesses to better understand their customers and tailor products and services to better meet their needs.

Business leaders, from the small business owner to the CEO, must recognize that for diversity to become a priority for their organizations, it must first be a priority for them. Large corporations can play a very significant leadership role in this regard as they are better equipped than their smaller counterparts to deal with integration issues. Many large companies, including TD Bank Group, already provide language classes and programs aimed at teaching employees how to be more culturally-sensitive. They are also involved with settlement agencies in connecting with internationally-experienced professionals – TD has been involved with organizations like the Toronto Region Immigrant Employment Council and ACCES Employment in their mentoring programs to great effect. Many companies have thus been very successful at integrating the immigrant community into their workforce and have reaped substantial benefits for doing so.

For a business that has yet to pursue diversified hiring practices, but wishes to, there could be benefits reaped from becoming more directly involved in the integration process. This includes getting involved with settlement and integration organizations such as regional immigrant employment councils and others that hope to connect employers with skilled newcomers. Depending on changes in policy, this might imply taking part in developing databases of skill needs and occupational demand with governments. And if diversity becomes a major initiative, businesses need to take advantage of the enormous amount of resources that are available to help them overcome integration issues such as cultural and language barriers.

Finally, both businesses and Canadians, in general, need to recognize that racism and xenophobia still persist in our society. It is perhaps more subtle than traditional notions of discrimination, but is as impactful nonetheless. A study conducted as recently as last September showed that identical resumes sent to the same job postings received significantly different callback rates. Resumes with English-sounding names received 35% more callbacks than those with Indian or Chinese names. Alarmingly, this study was conducted in Toronto, Montreal, and Vancouver, the three traditional bastions of diversity where many of the largest companies in Canada are headquartered. Selecting the right immigrants and providing them with the services they need is irrelevant without the cooperation of Canada's businesses. Ultimately, we all have a role to play in addressing this issue.

nizations in Canada to receive early language assessments and training, and taught Canadian social values and norms. Importantly, a realistic picture of the challenges they will face in the labour market is portrayed so that immigrants are aware of what is necessary to succeed.

Pre-arrival services have proven to be an invaluable asset in setting expectations and preparing immigrants for the challenges they will face in Canada. And early signs show that the CIIP is paying large dividends. Of the more than two-thirds of CIIP graduates in Canada who were employed, 93% had found a job within six months and almost 60% were working either in their field or a related field. In addition, 22% of employed graduates were at an equivalent or higher level than they were in their countries of origin. These results would indicate that clients of the CIIP are faring much better than non-CIIP graduates. As such, we believe that this program warrants additional funding when resources are available. In addition to extending the program to more countries, it would be highly beneficial to provide similar services once they arrive in Canada. For all intents and purposes, newcomers who benefit under the CIIP still face a complex process once they arrive, delivering a setback to the integration process. An example of this would be the credential recognition process. While documents can be collected and translated, much of the assessment, testing, and bridge training do not take place until the immigrant arrives. The federal government might consider encouraging credential pre-assessment to establish what the immigrant needs to do to get up to speed as part of the CIIP expansion. Many professional regulatory bodies already offer such services and this has already been implemented in Australia to great effect.

### **Develop a portal to assist businesses in hiring and assisting immigrants**

As noted in the text box on page 12, there are many excellent services delivered by community based groups, government and public-private partnerships that bring employers and highly-skilled immigrants together – TRIEC, the skills connect for immigrants program, Service d'Orientation et d'Intégration des Immigrants au Travail, Immigrant Centre Manitoba, and the Edmonton Centre of Newcomers, to name a few. Moreover, a number of job search and placement firms carry out critical services. Yet, these groups still serve a relatively small share of the overall migrant population. Much of the challenge in the quest to find employment lies in asymmetric information. Companies struggle with as-

sessing the potential of new immigrants, who tend to lack Canadian experience and whose PSE credentials are difficult to assess. Many businesses are unaware of many of the credential assessment agencies and settlement services that are offered locally. And while this is largely a challenge with small and medium-sized enterprises, even large companies face impediments. Ultimately, many Canadian businesses perceive the risk of hiring newcomers to be too high.

One idea to help to alleviate this problem would be to invest in a single integration portal by which both employers and newcomers could connect. Immigrants could build upon what was accomplished at the pre-arrival stage through the CIIP, since much of the integration process cannot be actually started until arrival. In turn, databases of the skills and experience of immigrants could be created to attract employers to search for talent, post jobs, and access information. Tools could then be provided to employers on how to overcome cultural and religious barriers or any other integration hurdles. This database would supplement the labour market information system that could be used to help identify emerging high-demand areas under the selection process. By creating a method of linking employers and immigrants as well as ensuring that immigrants receive a standardized set of services, some of the risks associated with hiring an immigrant would hopefully be mitigated, thus improving the probability of finding gainful employment.

This type of integration portal is already in use in Manitoba through its Manitoba Entry Program and has seen great success. Immigrants to the province need only to go to a single place to access all the information they need regarding what to do and where to do it (with regards to things like language training and credential recognition) and are connected with employers once they are up-to-speed. In turn, Manitoba is able to manage service delivery by funding those organizations its immigrant population needs most through its devolved settlement funding arrangement with the federal government. Unfortunately, it is possible that Manitoba's model may not be replicated in other provinces. The large majority of its permanent residents are provincial nominees, meaning they are easier to track than other classes of immigrants. In addition, its numbers are relatively small. Manitoba welcomed less than 16,000 immigrants in 2010, a small fraction of the 280,000 total. However, this still represents 1.3% of the province's population and it is difficult to argue with their success and the way Manitoba approaches immigration should be looked at for possible best practices that other provinces could adopt.

The delivery of such an integration portal would depend on where the funding comes from. If settlement funding remains a federal initiative, then the federal government could consider delivering it through Service Canada or through separate agencies, such as NGOs. However, if the federal and provincial governments agree on a devolved settlement funding arrangement, then the provinces could deliver it regionally.

**Wanted: better data to ensure success is being achieved**

Along the same lines of improving information flows, improved data are required to help assess labour market outcomes and the impact of policy changes. For example, analysis of the challenges of newcomer integration is largely based on one survey – the Longitudinal Study of Immigrants to Canada (LSIC) conducted between 2000 and 2005. However, these poor outcomes could potentially have been skewed because of the cohort of immigrants that arrived during those years. As we explained earlier, a contributing factor to the falling real incomes of recent immigrants was due to a large influx of those with IT and engineering degrees coming to Canada in the wake of the 2001 tech wreck. More frequent and timely data would help with the analysis on the integration of immigrants; and accordingly should receive higher priority. The federal government should consider refunding the LSIC every 5 years in order to obtain an accurate picture of newcomer integration.

**Conclusion**

Canada admits hundreds of thousands of highly-educated, highly-skilled immigrants each year to meet labour demand or to fill skills gaps. And yet, any reason for participating in skilled immigration is rendered null and void if those immigrants ultimately take lower paying jobs unrelated to their training because of the labour market barriers that they face. Solving the issues immigrants currently confront is thus integral to the long-term prosperity of Canada's economy.

We have all of the pieces necessary to put together an effective and efficient immigration system, and at the moment, we have fit many of those pieces together in a patchwork way. Now, we need to organize those pieces and complete the puzzle. Our recommendations revolve around increasing cooperation between those involved in the immigrant selection process as well as across this country's wide network of settlement services. Standardization of the language programs, credential recognition services, and employment services could mitigate much of the risk that businesses associate with hiring an immigrant. A better labour market information system would also go a long way toward attracting the right skill sets for the economy of the 21st century. If we are able to make this happen, then Canada's immigration system, which is already the envy of many, would ensure the future prosperity of all Canadians.

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## Endnotes

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- 2 Nominees are brought in on a permanent basis through the federal immigration system, but bypass being evaluated under the points system like federal skilled workers. A provincial nominee needs to demonstrate that they have the ability to economically establish, intend to reside in the nominating province and have not been involved in a passive investment scheme, in addition to passing extensive health, criminality and security checks. Some provinces offer streams that are not employer-driven, such as investor, student, and family streams, but not every province has these.
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- 5 Oreopoulos, Philip & Dechief, Diane. September 2011. "Why Do Some Employers Prefer To Interview Matthew, But Not Samir? New Evidence from Toronto, Montreal, and Vancouver." Metropolis British Columbia. Working Paper Series: No. 11-13.

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