

Enhancing Labour Market Outcomes of Immigrants to Canada

By Jock Finlayson and Steven Globerman

The Canadian government's plan to increase levels of permanent immigration is predicated on promoting overall economic growth by increasing the supply of labour. Whether and to what extent this goal is achieved depends heavily on the labour market performance of the immigrant cohorts admitted to Canada. In this context, public policies that promote higher employment rates and increased labour productivity of immigrants would strengthen the linkages between rising numbers of permanent immigrants and real economic growth.

A review of the literature focused on the historical labour market experiences of immigrants to Canada provides some insight into policies that might contribute to improved employment rates of new immigrant cohorts, as well as increased labour productivity tied to immigration. As relevant background, this literature identifies a persistent earnings gap that immigrants suffer relative to Canadian-born workers, even after holding constant factors such as work experience and attained education level.

Empirical studies suggest that the earnings gap reflects both lower employment rates and lower employment compensation for immigrants than for their Canadian-born counterparts with similar levels of formal education and training. Precise identification of the contribution of each component is difficult, however, because many studies simply focus on the earnings gap and not separately on differences in employment rates and compensation that condition the gap. On balance, differences in employment compensation of immigrants and Canadian-born workers seem particularly relevant, even when holding levels of formal education and work experience constant. A number of studies have attempted to explain such differences in

compensation, which presumably reflect differences in productivity.

In this context, the earnings gap between immigrants and their Canadian-born counterparts has been linked most prominently to newly arrived permanent immigrants' lack of proficiency in one of Canada's official languages, their unfamiliarity with Canadian workplace cultural practices, and a lack of recognition of foreign credentials and professional experience by prospective Canadian employers and unions. In many instances, the licensing requirements of professional accreditation bodies serve as a barrier to entry to immigrants trained as engineers, health care workers, and educators into comparable roles in Canada. The net result is that newly arrived immigrants find it a challenge to find employment in occupations where they can use the specialized human capital they obtained abroad, in part because that human capital is not as productive in the Canadian context as it would be if it had been obtained in Canada, as well as because of licensing and other restrictions unrelated to the skill and work experience of immigrant job applicants. In short, the contribution of increased immigration to overall economic growth would be enhanced by increased language proficiency

and greater familiarity with local workplace practices and norms on the part of new permanent immigrants. Reducing licensing and credentialing restrictions on new entry into specialized occupations and professions would also strengthen the linkage between immigration and overall economic growth in Canada.

Identification of the broad factors that contribute to the persistent earnings gap between immigrant and Canadian-born participants in the workplace highlights specific policy initiatives that hold promise for improving the labour market performance of immigrants. One such initiative would be to select a greater percentage of permanent immigrants from the temporary foreign workers and students already in Canada, who are more likely to be familiar with cultural and related features of Canadian society and its labour market practices than are permanent immigration candidates who have never lived and worked in Canada.

A second initiative would be to attach a higher weight to official language capability in the points-based evaluation criteria applied to applicants for permanent residence under economic immigration programs. Alternatively, the evaluation framework could be modified to require applicants to demonstrate a relatively advanced level of language proficiency in one of the official languages in order to be eligible for entry as a skilled worker, regardless of how well the applicant performs on other criteria in the point-based evaluation system. Given the uncertainty surrounding the quality of many foreign universities and colleges, consideration might also be given to modestly reducing the weight assigned to attained levels of formal education in the points system.

A third initiative would be to place increased emphasis on strengthening language and communication skills in the suite of post-landing immigrant services funded by different levels of government and typically delivered by local service agencies.

Finally, it is questionable whether the existing complex mix of licensing and certification requirements—particularly those applying to regulated professions and occupations—is needed in all cases. Provincial governments therefore should consider using their legal powers to

minimize the role of prior Canadian work experience in assessing candidates for professional and occupational licensure. As well, measures to reduce barriers to labour market mobility between provinces would improve the efficiency of the labour market for both immigrants and Canadian-born labour market participants.

In May 2023, Immigration, Refugees and Citizenship Canada unveiled new category-based selection rules that allow for more targeted selection of candidates from the Express Entry pool. This will enable the government to admit more permanent immigrants with very specific qualifications to help meet identified labour market needs and address chronic skill shortages. The revised rules are also intended to encourage more applicants with French language skills. The policy shift involves moving partly away from the points-based system for economic immigrants to one that will attach a higher ranking to applicants with experience in specific occupational fields, such as technology and health care, and/or demonstrated competence in French. In essence, the category-based selection criteria prioritize “specific” human capital and put less emphasis on measures of “general” human capital that, until now, have been central to the points-based selection system. The primary stated goal of the new policy is to further improve the labour market outcomes of permanent immigrants in order to boost economic growth. At this early stage no judgement can be offered as to whether or to what extent the policy will be successful. It should also be noted that this changes was announced after the analysis for this report was completed.



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