

Trade-Offs within a Skilled Immigration Policy: Lessons from Canada

Summary of Presentation

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There are several distinctive features of the Canadian immigration system that should be highlighted. Immigration policy is a shared responsibility between the federal government and the provinces (indeed Quebec has considerable autonomy). The federal immigration minister and Cabinet have great powers to change immigration policy with virtually no debate in Parliament. To address the different roles of immigration there are three broad admission classes – the family class for family reunification (about 25% of total immigration), refugee class admitted for humanitarian reasons (about 9%), and the economic class admitted for a range of economic and demographic reasons (about 62%). Within the economic class (EC), there is a mix of specific programs such as the Federal Skilled Worker Program (FSWP), Provincial Nominee programs (PNPs) negotiated with each province, the Canadian Experience Class (CEC), immigrant investor and self-employed workers programs, and the live-in caregivers program. By far the largest economic class program (accounting for 57% of all EC admissions) is the FSWP; it is this program whereby applicants must pass a Point System screen of their labour market skills in order to be admitted.

The rest of this presentation will focus on a set of challenges or trade-offs that will need to be faced by any high-skilled immigration policy. Challenge 1 is what is an appropriate overall level of immigration. Such a determination must recognize what immigrants bring to an economy/nation and what are the costs involved, possibly on the wages and employment of domestic workers. This is ultimately a political decision that should be publicly debated. But one

economic consideration may be whether the overall level of immigration (or perhaps its components) should vary with the business cycle.

Challenge 2a is what fraction of the total immigrant inflow should enter as economic class immigrants. One can look at labour market performances of different classes of immigrants and at immigration policy effects on average early earnings levels of immigrants. Target EC fractions in Canada and Australia are 60-70%.

Challenge 2b is what fraction of EC admissions should be skilled vs. unskilled. Again one can look at labour market outcomes of different skill groups of immigrants. Also recall the effects of immigration of different skill groups on the wages of domestic workers. I would opt for a high skill proportion, but recognize that there will always be some special needs that are relatively unskilled.

Challenge 3 is a whole set of issues around how skills should be identified and evaluated. What are the worker skill characteristics that one wants to incorporate within a point system screen? Should key characteristics such as language fluency and educational credentials be evaluated ex ante and by third parties before a worker is landed? Canada is following Australia's lead on some of these matters. One should also be cognizant of feedback effects of such screening on, say, country-of-origin mix of immigrant landing. It would make sense to exploit U.S.'s strengths such as its system of post-secondary education, as Canada is currently doing with its recently set up Canada Experience Class of workers. There is also the separate issue of professional licencing of immigrants in the regulated professions (e.g., medicine), so that new workers can make best use of their foreign training.

Challenge 4 raises the broad set of questions around what is the most appropriate model for skilled immigrant selection. Should policy be based on a general human capital perspective

of broad skills and adaptability (such as embodied in the FSW program) or on immediate specific occupational needs (as reflected in the PNP program)? Who should select economic immigrants – a point system screen (i.e., S-side criteria) or employers (i.e., D-side requirements)? Canada's economic immigration policy is currently shifting strongly from the former to the latter, and what are some of the possible implications of this shift? What is the proper timeframe for evaluating economic/social outcomes for immigrants – filling immediate job needs, a successful productive career in the new country, or perhaps success of the second generation of immigrants? Do we want workers or citizens? Finally, what emphasis should be placed on temporary foreign workers vs. permanent immigrants as a route towards bringing in skilled workers to the economy, and what are the arguments pro and con on temporary skilled workers?

By way of summary, I would recommend that, whatever system is adopted, it be simple, transparent and fair. Flexibility and timely changes to various parameters of immigration policy could be more usefully achieved through setting up some relatively arms-length agency to make these adjustments while elected officials set out the general framework and perhaps global parameters on immigration policy. Since there is a range of different skill needs, differing opinions as to the most relevant timeframe for immigrant achievement, and different benefits to be had from admission criteria from both sides of the labour market, I would go with a mix of different immigrant admission classes and specific immigration programs. Some immigrants should be brought in under a point system-type screen, but I'd suggest keeping this relatively simple and focussed on youth and age, education and training, and English language fluency. It would also be useful to monitor Canada's implementation of an Expression of Interest or Express Entry model for skilled immigration planned for early 2015.