

Assessing Recent Changes in Canadian Immigration Policy

W. Craig Riddell
University of British Columbia

Association of Professional Economists B.C.

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Overview

- Canada's immigration system is currently undergoing significant change
- Presentation will discuss:
- Why are these changes occurring, and what are the goals they seek to achieve?
- What are the nature of these changes?
- What do we know about the effectiveness of these recent changes?

Why are these changes occurring?

- Deterioration in labour market outcomes experienced by immigrants arriving since 1980s => desire to improve outcomes
- Attempt to better respond to short-term regional labour market “shortages”
- Desire to shift immigration away from largest cities to other regions that seek more migrants

Nature of Recent Changes

- Introduction of new selection ('points') system with implementation of Immigrant and Refugee Protection Act (IRPA) in 2002
- Key features:
 - Adoption of “human capital model” for selection
 - Shift away from emphasis on current labour market needs
- Introduction of new immigrant programs, or changes to existing programs, including:
 - Canadian Experience Class (2008)
 - Provincial Nominee Program
 - Temporary Foreign Worker program
 - Ministerial Instructions (2008)

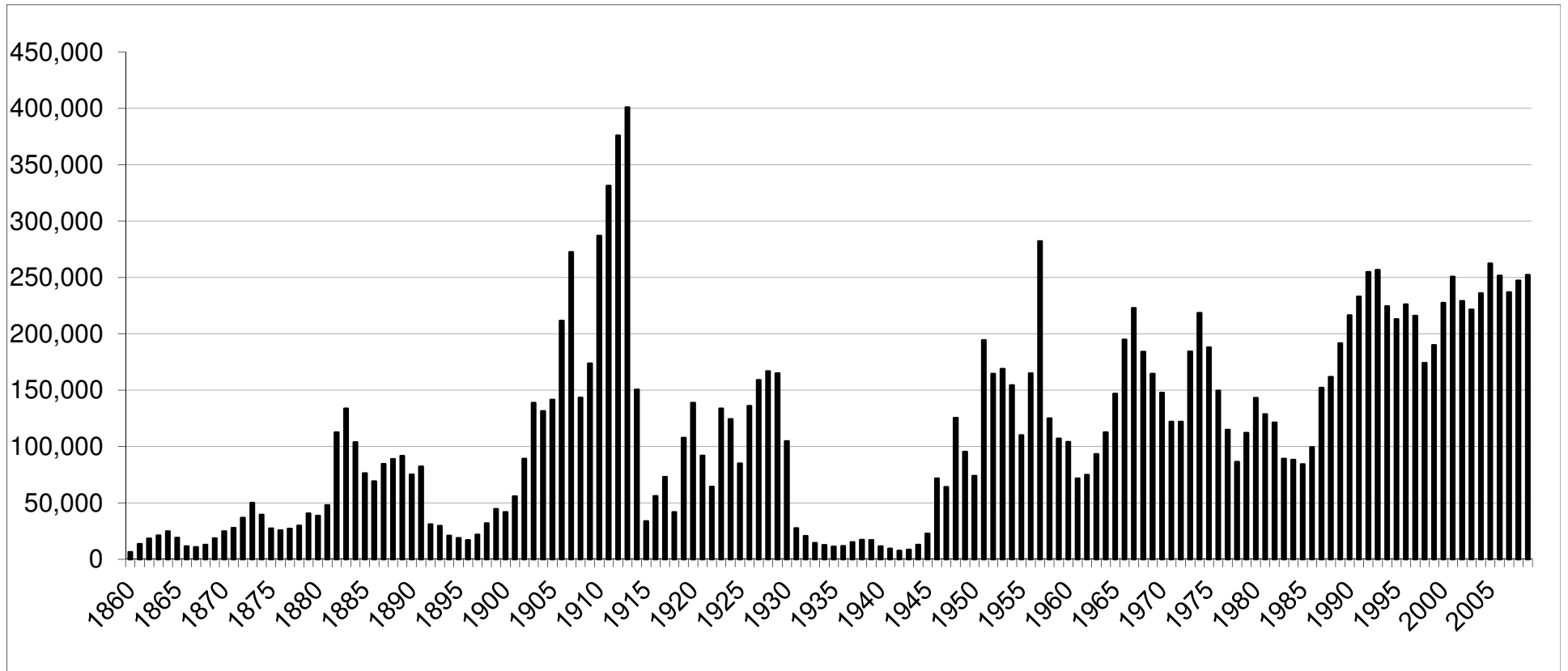
Plan of Presentation

- Background: evolution of Canada's immigration policy and experience
- Implementation of IRPA (2002): objectives and evidence on its consequences
- Other recent policy initiatives and developments: objectives and evidence on consequences
 - Canadian Experience Class
 - Provincial Nominee Program
 - Temporary Foreign Worker program
 - Ministerial Instructions

Evolution of Canada's Immigration Policy and Experience

- Canada one of world's major immigrant receiving countries
- Substantial variation in magnitudes of inflows over time (Fig 1)
- Especially large inflows in early 1900s
- Dramatic reductions in in-migration during economic downturns (notion of “absorptive capacity” of labour market)
- This principle abandoned in past two decades

Fig 1: Permanent Immigrants to Canada, 1860-2009



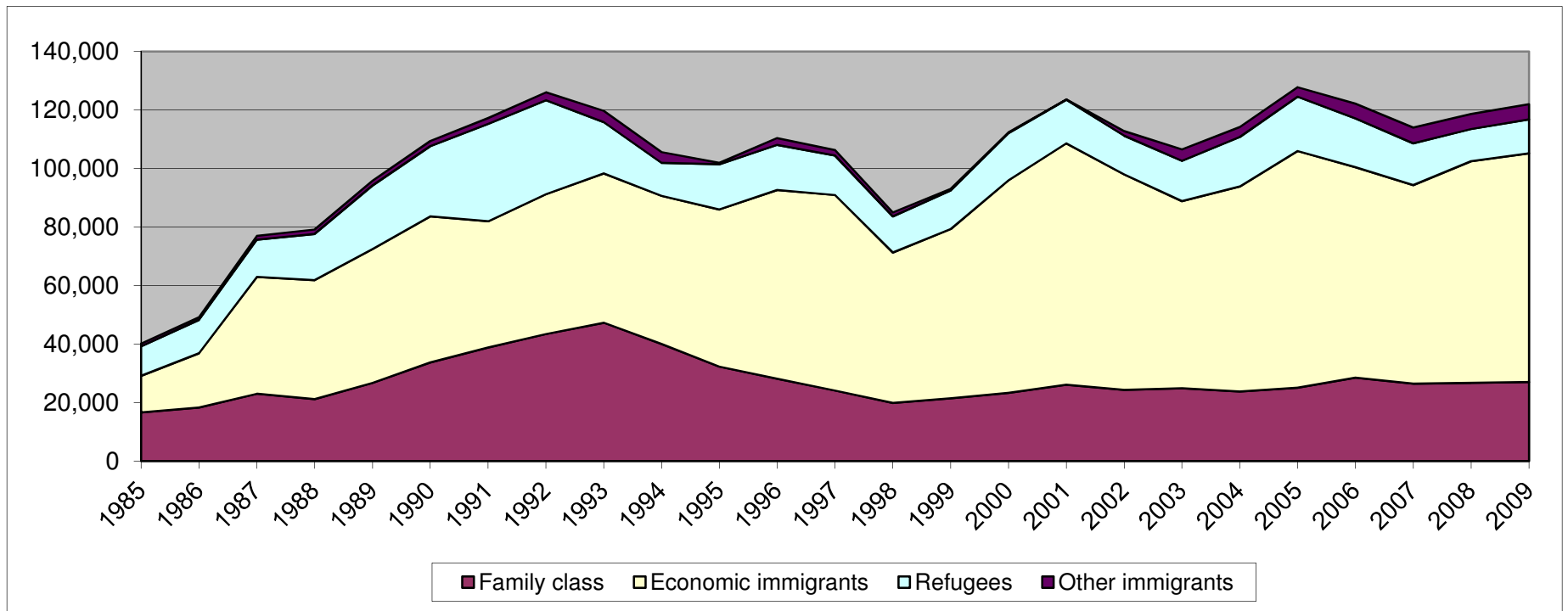
Evolution of Canada's Immigration Policy and Experience

- Prior to 1960s, immigration policy focused on attracting unskilled workers
- Another key feature was use of “preferred” and “non-preferred” countries of origin, so most immigrants from US, UK, Europe
- Both these features changed with introduction of points system in 1960s
- Admission based on individual characteristics such as education and skill qualifications
- Also based on predicted demand for workers in applicant's intended occupation and destination
- This feature reflected desire to meet short-term labour market needs and skills shortages

Evolution of Immigration Policy

- Points system applies to those seeking admission in “independent” class
- Initially refugee and family unification classes given top priority for processing
- Assessed or “economic” class was a residual
- Over time greater emphasis on economic class (Fig 2)
- Bar for admission has increased over time – from 50 points in 1967 to 76 points in early 1990s
- Recent arrivals much more likely to be well educated – e.g. <10% with Univ degree in 1970s vs >50% in 2000s

Fig 2: Permanent Residents by Category, 1985-2009



Canada's immigration experience

- Despite policy shift toward greater selectivity, immigrants' labour market outcomes have worsened
- Earnings gap relative to comparable NB has increased with each successive cohort, both at entry and after many years in Canada (Fig 3)
- In contrast, immigrants arriving in 1950s & 1960s did much better
- Also poverty has increased substantially among immigrant population, in contrast to trend for NB (Fig 4)

Fig 3: Earnings of immigrants relative to comparable Canadian-born

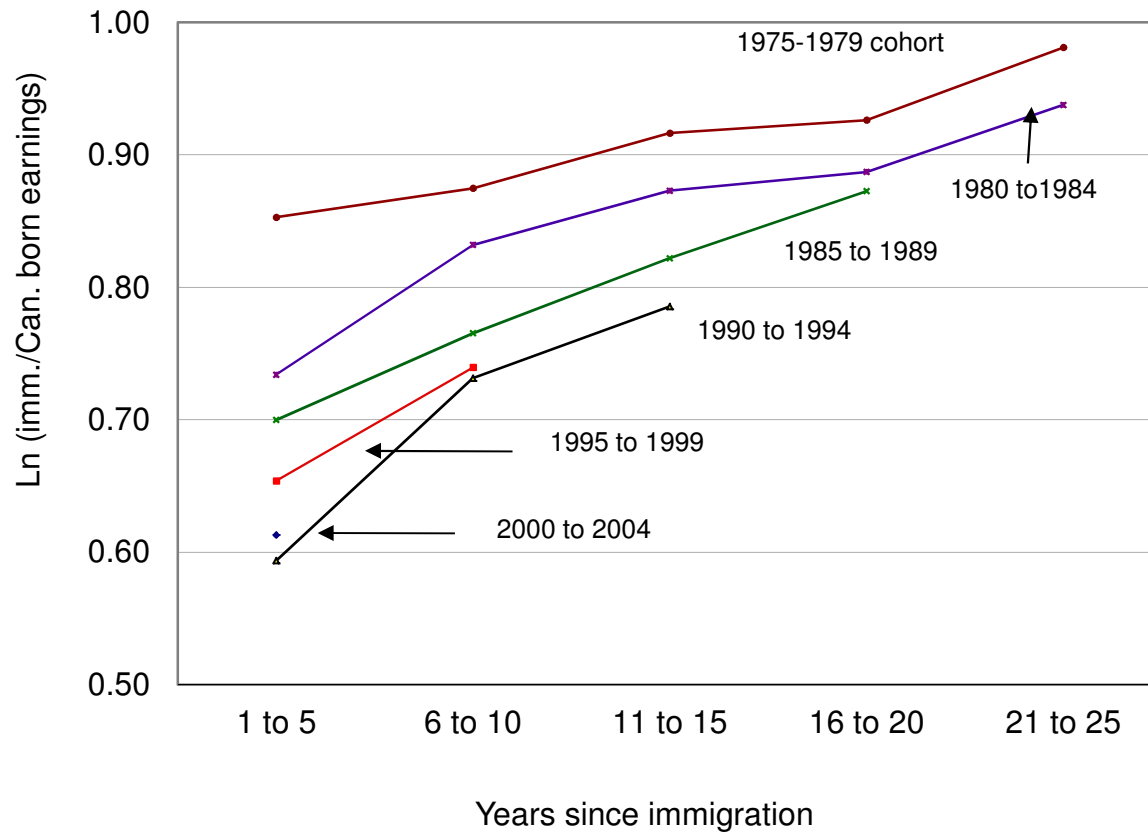
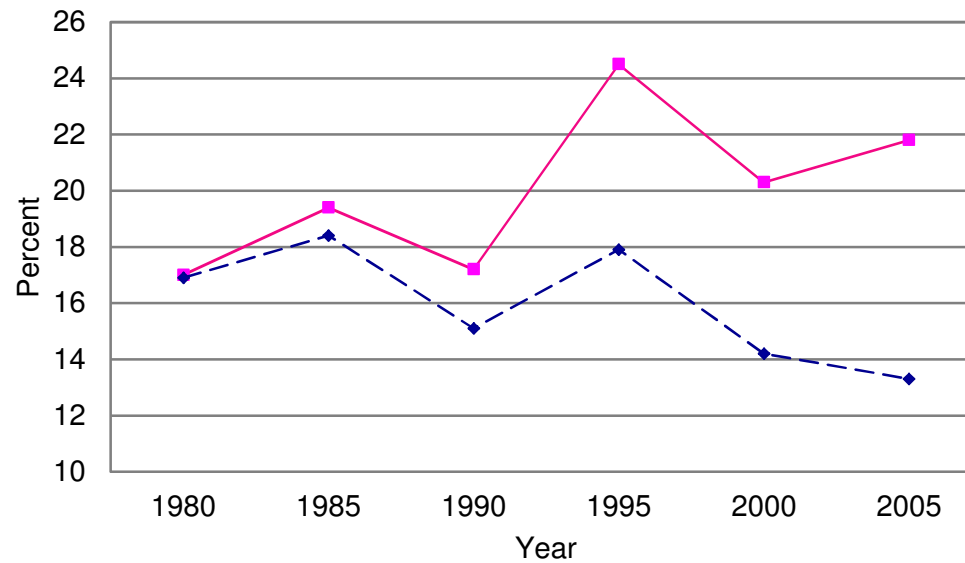


Fig 4: Low-income rates, Canadian-born (blue) and Immigrants (pink)



Causes of deteriorating immigrant outcomes

- Substantial amount of research on this issue
- Evidence points to three main explanations:
 - Changing source country composition
 - Declining (and low) return to foreign work experience
 - Declining relative earnings among all new entrants, immigrants and native-born

Source Country Composition

- Declining (relative) immigrant earnings coincided with major shift in source countries
- Associated with this shift was a large decline in fraction of immigrants with English or French as home language or mother tongue
- Studies attribute about one-third of decline in entry earnings to changes in source country composition
- However, whether this factor is due to language proficiency, culture, school quality or visible minority status (i.e. discrimination) remains open to debate

Returns to Foreign Work Experience

- Labour market experience prior to arrival is more heavily discounted than Canadian work experience
- This difference in returns has been found in other countries
- In past 2-3 decades, returns to foreign work experience have declined
- This factor accounts for about one-third of the growth in the earnings gap at entry
- Reasons for the decline are not well understood

Declining relative earnings among new entrants to labour market

- Earnings of new entrants – both immigrants and NB – declined in 1980s and 1990s, especially 1980s
- This led to widening earnings gap between older and younger workers
- Some reversal in past decade
- If we use as a comparison group other new entrants, relative earnings of immigrants look better
- This factor can account for about 40% of growth in earnings gap at entry
- However, unlike the other explanations this factor was concentrated in 1980s and 1990s, especially 1980s

Additional evidence

- Several studies find that immigrants who complete their education in Canada do much better in Canadian labour market than those who complete schooling before arrival
- Whether this is due to acquisition of language skills, greater familiarity with Canadian institutions and nature of job market, or differences in quality of education is unclear
- This finding led to new policy – Canadian Experience Class

Assessing recent policy changes

- In June 2002, a new skilled worker selection system was adopted with the implementation of the *Immigration and Refugee Protection Act* (IRPA).
- Objective of new policy to:
 - improve the economic success of skilled worker immigrants (selected class);
 - maintain the quantity of skilled worker immigrants;
 - improve the transparency of the selection process.
- Consequences of policy change examined by Begin, Goyette and Riddell (2010)
- Objective of research project: to evaluate impact of policy change on immigrant outcomes
- Also examine factors that influence immigrant outcomes based on points received in selection grid

Salient features of policy change

- Pre-IRPA selection system placed considerable weight on addressing skill shortages in specific trades and occupations
- Applicant's intended occupation given considerable weight in pre-IRPA points system
- IRPA based on a human capital model, without consideration of occupation
- Points awarded based on attributes likely to predict long term economic success – language, education, work experience
- Major shift away from basing admission on short-term labour market requirements and skill needs

Selection criteria

Criteria	Pre-IRPA points (%)	IRPA points (%)
Education	16 (14)	25
Official Language	15 (13)	24
Experience	8 (7)	21
SVP – 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

Implementing the IRPA

- Original transition regulations: applications prior to Jan 2002 to be assessed under pre-IRPA regulations as long as decision reached by March 31 2003
- Applications that did not receive a decision by April 2003 to be assessed under IRPA
- Successful court challenges => amendments to regulations in Dec 2003
- Key provision: dual assessment, admission based on regime most favourable to applicant
- Litigation also resulted in widespread processing delays

Implementing the IRPA

- Consequence: immigrants selected under both policy regimes arrived during period 2002-2006
- Situation provides unique “natural experiment” that allows direct comparison of two policy regimes
- Landing file data allow identification of those who applied and were admitted under pre-IRPA and IRPA selection grids
- Can also identify those “dual assessed” but not which regime selected under

Assessed arrivals by landing year

Cohort	Pre-IRPA	Dual	IRPA	Total
2000	37,920			37,920
2001	41,645			41,645
2002	34,255		285	34,540
2003	26,180	-	2,370	28,550
2004	14,065	5,315	8,495	27,875
2005	2,615	15,365	10,710	28,690
2006	760	8,050	10,085	18,895
Total	157,440	28,730	31,945	218,115

- First IRPA cases started coming in 2002, but most of them came after 2003
- 2004 and 2005 are years with most arrivals from both regimes
- Number of arrivals in the IMDB tends to decrease for the most recent cohorts. As they have spent less time in the country, not all immigrants have worked or have made an income tax filing in the first years after their arrival.

Begin, Goyette & Riddell study

- Selection regime influences both applicant pool and who is admitted from pool
- Unique circumstances allow comparison of outcomes experienced by IRPA arrivals to pre-IRPA arrivals controlling for year of arrival and time spent in Canada
- Simple comparison of differences in average outcomes is appropriate, despite selected (non-random) samples
- Regression-controlling inappropriate as purpose of policy is to influence characteristics of migrants
- Analysis uses Longitudinal Immigration Database (IMDB) that links CIC administrative file on landings with tax records

Impacts of IRPA

- Characteristics of selected class changed with IRPA.
 - IRPA arrivals are more educated and have a better knowledge of the official languages than their pre-IRPA counterparts.
 - 24% had either a Master's degree or a Ph.D under pre-IRPA, versus 41% under IRPA.
 - 24% of pre-IRPA arrivals reported not knowing either French or English upon landing, versus 4% under IRPA.
 - More women were also admitted under IRPA.
 - 23% of the Principal Applicants admitted under pre-IRPA were women, compared to 32% for IRPA.

Impacts of IRPA on source countries and occupations

- Source countries for the IRPA flow are more diverse:
 - Top 5 countries accounted for 57% pre-IRPA and 40% under IRPA;
 - China dropped from 29% to 16% of the total IRPA flow.
- Occupations are also more diverse:
 - Top 5 occupations accounted for 81% pre-IRPA, but are 67% under IRPA;
 - NOC 21 (professionals in natural and applied sciences) dropped from 60% pre-IRPA to 29% under IRPA;
 - NOC 21 from China dropped from 24% of total pre-IRPA flow to 6% under IRPA .

Top countries of last permanent residence

rank	country	Pre-IRPA	IRPA
1	China	28.6	15.5
2	India	12.1	8.1
3	Pakistan	7.4	2.9
4	Philippines	5.3	1.9
5	Iran	3.6	1.8
	United Kingdom	2.3	7.9
	Romania	2.2	4.5
	United States	0.8	3.7
	Other	37.7	53.7
	Total	100.0	100.0

Top Occupations – NOC Major Groups

Rank	NOC Major Group	Pre - IRPA	IRPA
1	21 – Professional Occupations in natural and applied sciences	59.8	29.3
2	11 – Professional Occupations in business and finance	8.0	6.7
3	22 – Technical occupations in natural and applied sciences	6.5	4.9
4	41- Professional occupations in social science, education, government services and religion	3.7	19.0
5	12- Skilled administrative and business occupations	3.1	5.9
	31 – Professional occupations in health	2.1	6.1
	Other	16.8	28.1
	Total	100.0	100.0

Estimated Impacts of IRPA

- Employment rates: 2004 and 2005 arrival cohorts selected under IRPA regime had higher employment rates than those selected under pre-IRPA regime
- Earnings: 2004 and 2005 arrival cohorts selected under IRPA regime had substantially higher earnings than those selected under pre-IRPA regime
- Examples follow – detailed estimates in Begin, Goyette and Riddell (2010)

Mean employment earnings

Selection regime	Cohort	Taxation year						
		2000	2001	2002	2003	2004	2005	2006
Pre-IRPA	2000	17500	33000	36400	38600	42000	45400	49600
	2001		15300	26800	31900	36000	40100	44600
	2002			13200	25700	31500	36300	41600
	2003				13100	24300	30600	36500
	2004					12600	24300	31300
	2005						11700	21600
	2006							11500
IRPA	2000							
	2001							
	2002			26200	40600	48800	53300	58800
	2003				24300	34000	40600	46200
	2004					32600	40100	47500
	2005						27800	37600
	2006							28700

- For the 2004 cohort, IRPA FSW earned 65% and 51% higher earnings than their pre-IRPA counterparts for tax years 2005-2006.

Impact of selection criteria on earnings

- Controlling for province of residence, the earnings of IRPA arrivals are most significantly affected by:
 1. Arranged employment offer (AEO):
 - Increases employment earnings by 74% in the landing year;
 - The gap decreases by 9% every subsequent year;
 2. Language points:
 - The effect peaks for those who have obtained between 16-20 points, which correspond to 38% to 39% higher earnings;
 3. Previous work experience in Canada:
 - Increases employment earnings by 27%.

Impact of selection criteria on earnings

- Other factors that positively affect employment earnings:
 - Age (at landing)
 - Education
 - Work experience (maximum points only)
 - Partner's education (maximum points only)
- Factors that negatively affect earnings:
 - Relatives in Canada
 - Study in Canada

Conclusions of Begin et al study

- Results on early cohorts of IRPA arrivals indicate that they are performing better economically than pre-IRPA counterparts who arrived in the same time period
- Employment rates are higher and average employment earnings are substantially higher
- Most selection criteria under which IRPA arrivals were admitted were found to positively affect their economic outcomes
- Key positive factors include: arranged employment, language proficiency and Canadian work experience
- Evidence suggests policy change was beneficial

Rebalancing Short-Term and Long-Term Objectives

- Recent policy changes represent a move back to emphasis on addressing skills shortages and short term labour market needs
- However, rather than doing this through points system, different methods chosen
- New approach is more decentralized, with greater involvement in immigrant admissions by provinces, employers and educational institutions
- Additional objective: to locate more immigrants in regions and provinces outside major cities

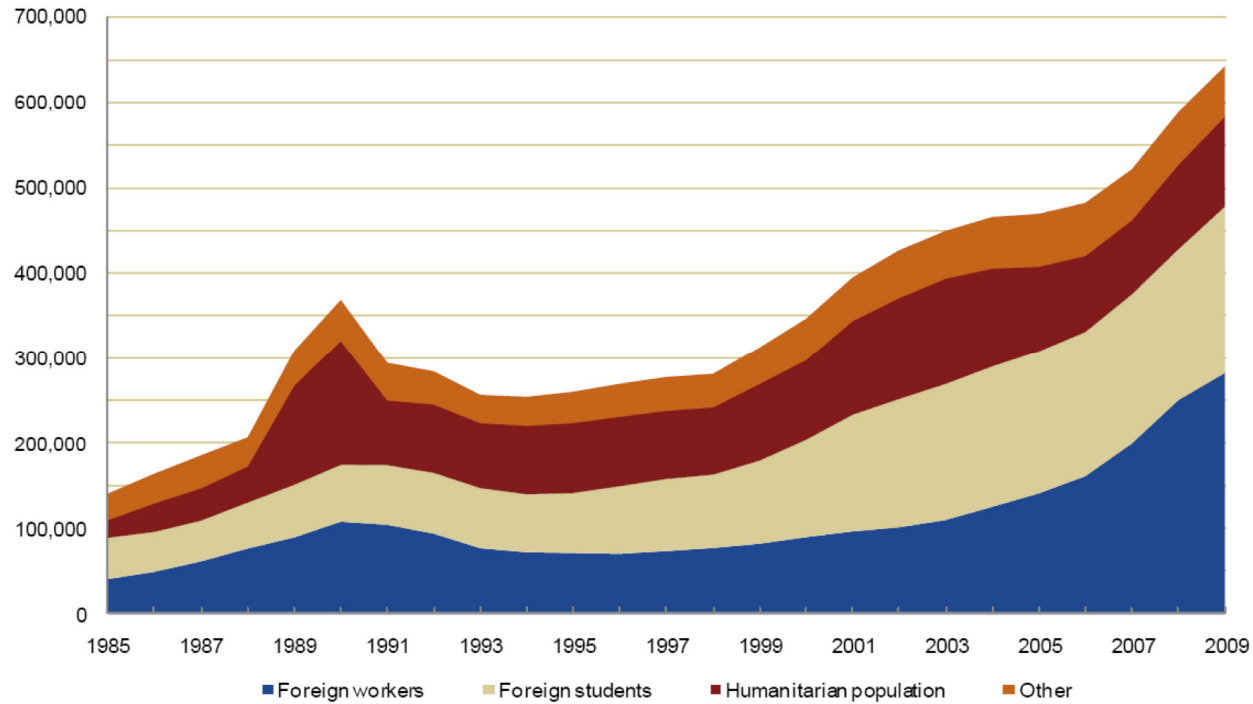
Provincial Nominee Program

- Not a new program, but increased recent use
- Two basic objectives:
 - Locate more immigrants outside the 3 major cities
 - Meet labour needs of employers in the province
- Many immigrants arriving under PNP have pre-arranged employment, so employer involvement in selection process
- Share of arrivals under PNP increasing, share via federal assessed class decreasing

Temporary Foreign Worker program

- TFW program consists of several programs: seasonal workers, unskilled and semi-skilled in “shortage” occupations, live-in caregivers, highly skilled workers
- Primary objective: meeting short-term employer needs, especially in specific regions
- List of occupations in demand developed by federal and provincial ministries, and used to guide selection
- TFW program used more in 2000s than previously (Fig 5)

Fig 5: Temporary Residents by Status

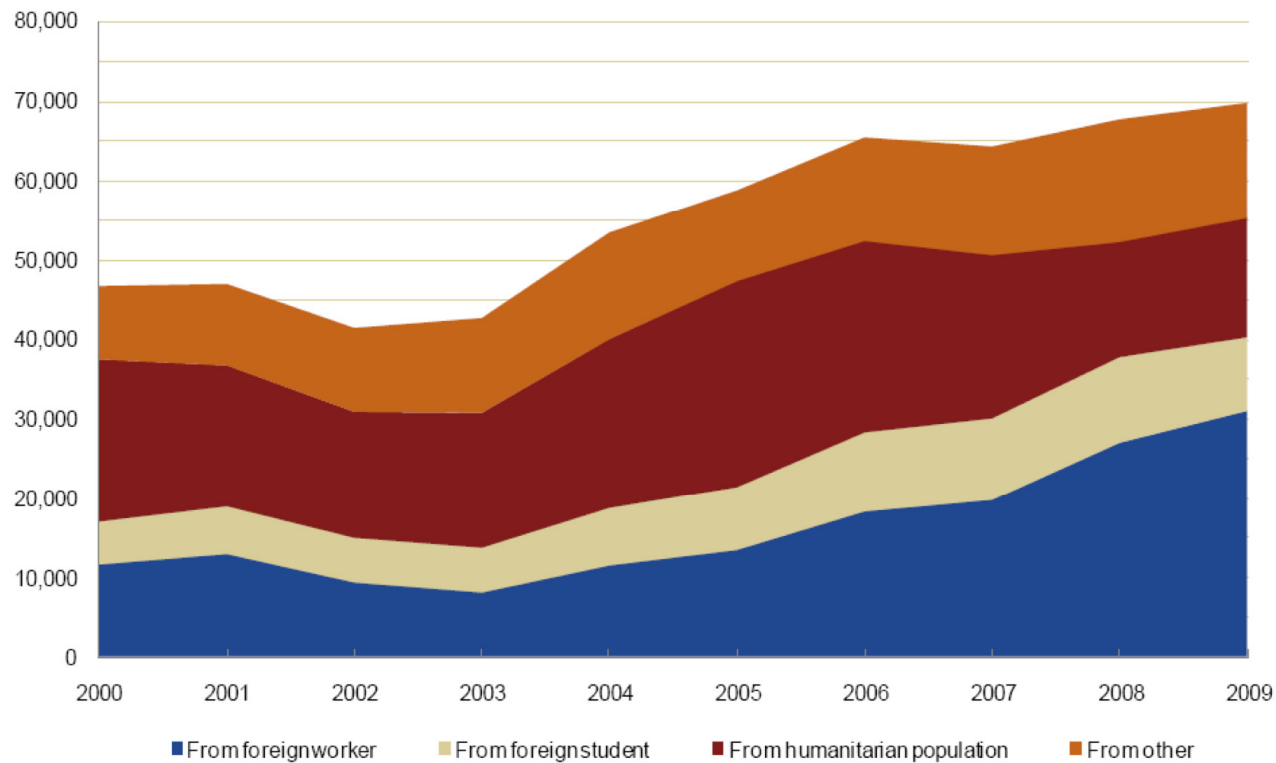


Canada Experience Class (2008)

- Allows some skilled categories of TFWs with Cdn work experience to transfer to permanent status without leaving Canada
- Same for international students with a Cdn degree and Cdn work experience (> 1 yr)
- Gives employers and educational institutions greater role in selection process
- Growing source of immigration in recent years (Fig 6)

Fig 6: Transition of Temporary Residents to Permanent Status

Canada – Transition of temporary residents to permanent resident status



Ministerial Instructions (2008)

- Legislation allows Minister to set specific controls on number of immigrants entering via assessed class in specific occupations
- As of June 2010, 29 occupations designated
- This occupational “filter” designed both to focus selected class on specific occupations, and to manage backlog in applications

Assessing Recent Initiatives: PNP

- Experience with recent policy initiatives is limited, so little known about impacts
- Townsend and Pandey (2010) examine PNP, which has operated for more than 10 years in Manitoba (less elsewhere, except Quebec)
- In Manitoba, PNPs have lower education and worse language skills than those entering under federal points system, but initially have higher earnings
- PNPs in other provinces also have higher initial earnings (1 year after arrival)
- Higher initial earnings probably due to requirement in most provinces that PNPs have a job offer for admission
- Whether initial gains persist is unknown
- Retention experience is mixed: highest in BC (over 90%), lowest in Atlantic provinces (about 70%)

Assessing Recent Initiatives: TFWs

- Research on TFWs is limited
- Warman (2009) uses census data to compare TFWs to immigrants with permanent status
- Study finds that TFWs receive larger returns to their foreign education and experience than immigrants selected by points system
- Consistent with view that employers are more able to assess relevance of foreign education and work experience than is centralized points system
- No studies yet on TFWs that convert to permanent status

Assessing Recent Initiatives: CEC

- No studies yet available on Canadian Experience Class
- However, Sweetman and Warman (2009) find that immigrants who were previously TFWs initially have better employment and earnings outcomes than immigrants without previous Cdn work experience or education
- Former students also do better, though differences not as large
- However, advantage disappears 4 years after arrival
- Results suggest status as TFW or student in Canada provides some information on successful integration

Assessing Recent Initiatives: Summary

- Evidence is limited, but encouraging
- Immigrants selected via PNP and TFW programs appear to do better (at least initially) than those entering via federal points system
- Outcome not surprising, given that pre-arranged employment often a requirement, whereas only a minor factor in points system
- Whether those entering via PNP and TFW programs perform better over longer time period is an open question

Concluding Observations

- Balancing long term goals and short term demands has been a central issue in immigration policy for many years
- Past decade has been no exception
- IRPA (2002) represented a major shift in the federal points system towards choosing immigrants likely to succeed in the long term
- Research finds that immigrants selected under IRPA regime have superior employment and earnings outcomes compared to pre-IRPA counterparts that entered Canada at the same time

Concluding Observations

- Since mid-2000s focus of policy has shifted back to short term goals
- Recent policy changes have, however, used different strategies
- Rather than altering the federal points system, a more decentralized approach is evident
- A key feature of this new approach is greater involvement of provinces, employers and educational institutions in immigrant selection
- Although initial evidence is encouraging, little is known about how well this will work

Canadian Labour Market Research

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