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Earnings of Skilled Immigrants - Recent Research Findings

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Canada's Immigration Policy: Reconciling Short term Labour Market Needs and
Longer Term Goals

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BUILDING A STRONGER CANADA



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Canada

Overview

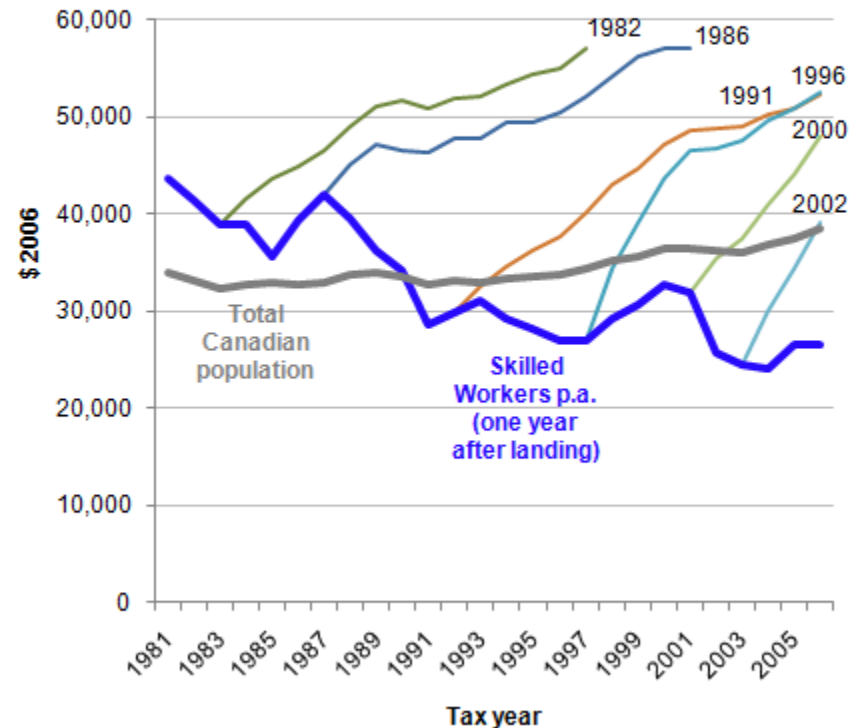
- Reasons for declining outcomes of highly skilled
- Federal responses
- Research to support the evaluation of IRPA selection criteria for skilled workers
- Research to support the introduction of the Canadian Experience Class



Declining Outcomes

- Although skilled workers have higher earnings than other immigrants, their earnings have been declining over time, in absolute terms and relative to the Canadian-born population
- Employment earnings increase with time in Canada, but outcomes have been a concern to policy makers

Average employment income, immigrant skilled workers (principal applicants) and total Canadian population, Canada, 1981-2006



What Matters?

- The most important factors contributing to economic success are:
 - Local labour market conditions, including occupational supply/demand balances
 - Official language capacity and literacy – especially for university educated
 - Equivalency/acceptance of qualifications
 - Canadian work experience
- Research has shown that labour market conditions have accounted for 40% of the decline in earnings since the 1980s.
- The remaining 60% is related to human capital of immigrants:
 - Need for strong communications skills in Canada's official languages, especially for university educated
 - Declining returns to foreign education (what kinds of education are transferable from which countries to Canada?)
 - The return to foreign work experience is now zero. Those with Canadian education and experience have better outcomes.



What Matters? (2)

- Research by Ross Finnie, using the IMDB, examined separately the impact of the changing unemployment rate (from 1982 to 2003), the changing mix of immigrant categories, education levels and source country, on the declining earnings by cohort. While controlling for the unemployment rate and immigrant category had mixed effects, controlling for education had a small, positive impact. However, controlling for country of origin mix had a significant effect, narrowing the declines over time.
- It is very difficult to disentangle source country from human capital, particularly when there is no objective assessment of official language ability or equivalency of education.
- Research to support the evaluation of the IRPA (2002) changes provides us with much more conclusive findings to support selection criteria and explain outcomes



Policy Responses

- June 2002: introduction of new selection criteria for skilled workers. Removed points for occupation; increased importance of sound knowledge of one official language (and encouraged objective testing); increased role of university education and awarded points for having worked or studied in Canada.
- February 27, 2008 - Introduction of Ministerial Instructions applying to federal skilled workers.
- September 2008 - Introduction of the Canadian Experience Class - for temporary foreign workers, and foreign students with a Canadian degree and Canadian work experience, and who meet a specified level of knowledge of one of Canada's official languages, to obtain permanent residence.



IRPA evaluation

- We were able to examine individuals arriving in Canada at the same time, but selected under different regimes (pre and post IRPA)
- Analysis focuses on a specific sub-set of the population included in IMDB:
 - Federal Skilled Workers (FSW);
 - Principal applicants only;
 - Landed between 2000 and 2006;
 - At least 18 years old at time of landing;
 - Not selected under Quebec's selection regime;
 - Have made at least one tax filing.



FSW present in the IMDB, 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 |

- Fewer IRPA cases in the IMDB (compared to pre-IRPA).
- First IRPA cases started coming in 2002, but most of them came after 2003.
- Number of FSWs 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.



Impact of IRPA on source countries, occupations and official language

- Source countries for the IRPA flow are more diverse:
 - China has dropped from 29% to 16% of the total IRPA flow;
 - India has dropped from 12% to 8% of the total IRPA flow;
 - UK has increased as percentage of the total FSW flow, from 2% pre-IRPA to 8% under IRPA.
- Occupations are also more diverse:
 - Top 6 occupations accounted for 83% pre-IRPA, but are 72% under IRPA;
 - NOC 21 has dropped from 60% pre-IRPA to 29% under IRPA;
 - NOC 21 from China has dropped from 24% of total pre-IRPA flow to 6% under IRPA .
 - Under IRPA only 4% report no knowledge of official language compared to 24% pre-IRPA



Employment earnings: Incidence rate

| Selection regime | Cohort | Taxation year | | | | | | |
|------------------|--------|---------------|-------|-------|-------|-------|-------|-------|
| | | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| Pre-IRPA | 2000 | 61.34 | 79.06 | 78.04 | 79.08 | 80.09 | 80.31 | 80.00 |
| | 2001 | | 56.42 | 75.77 | 77.08 | 78.48 | 79.69 | 80.05 |
| | 2002 | | | 58.75 | 75.95 | 77.40 | 78.70 | 79.90 |
| | 2003 | | | | 55.68 | 74.91 | 76.08 | 77.75 |
| | 2004 | | | | | 60.99 | 74.07 | 74.74 |
| | 2005 | | | | | | 57.58 | 70.16 |
| | 2006 | | | | | | | 59.87 |
| IRPA | 2000 | | | | | | | |
| | 2001 | | | | | | | |
| | 2002 | | | 42.00 | 75.00 | 76.92 | 80.39 | 80.39 |
| | 2003 | | | | 55.90 | 78.74 | 81.24 | 82.73 |
| | 2004 | | | | | 66.60 | 79.99 | 80.78 |
| | 2005 | | | | | | 65.91 | 77.40 |
| | 2006 | | | | | | | 69.46 |



Employment earnings: Average

| 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 |



Impact of selection criteria - Results

- After controlling for province of residence, the earnings of IRPA FSWs are most significantly affected by:
 - Having an arranged employment offer (AEO) when applying for immigration;
 - Language points received (criteria encourage use of an objective test and award individuals who have a good knowledge of one official language, rather than a poor knowledge of both);
 - Points obtained for having previously worked in Canada.



Impact of selection criteria – Results (cont'd)

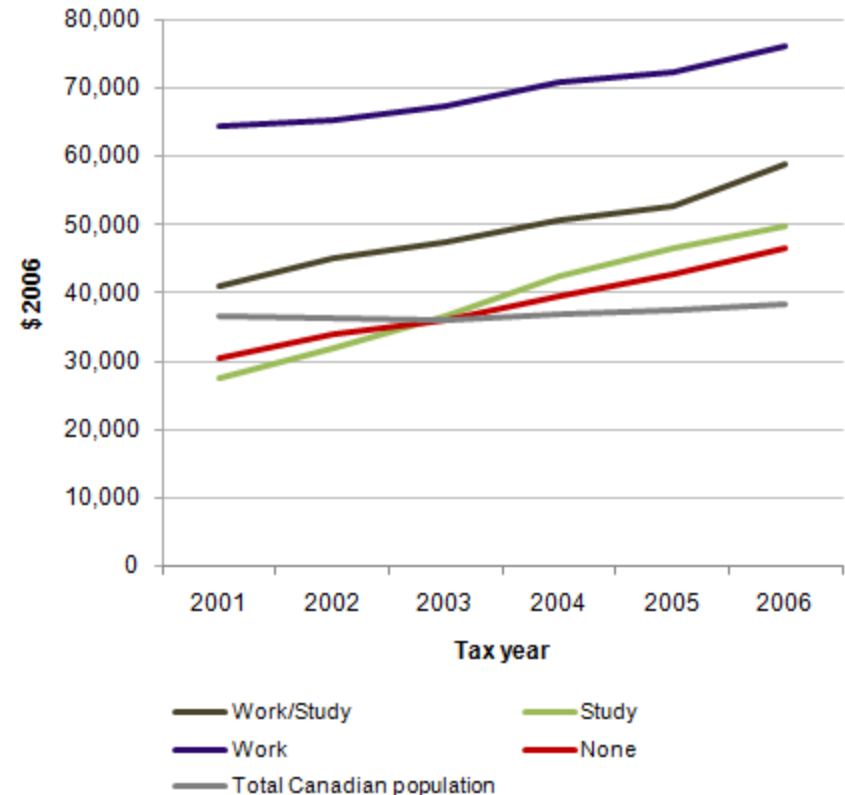
- Among other factors that positively affect employment earnings are:
 - Age (at landing)
 - Education
 - Work experience (maximum points only)
 - Partner's education (maximum points only)
- Some factors negatively affect earnings:
 - Relatives in Canada
 - Study in Canada



Canadian Experience Class

- In comparing skilled workers who had no previous experience in Canada with those who worked, studied or who studied and worked, research shows that:
 - outcomes were best for those with work experience, followed by those who studied and worked.
 - There was little difference between those who had no experience in Canada and those who had only studied in Canada.

Average employment income of total Canadian population and immigrant skilled workers (p.a.) landed in 2000 by type of Canadian experience prior immigration, Canada, 2001 to 2006



Conclusions

- Strong official language capacity is paramount
- Work experience in Canada is helpful
- Diversity of occupations may relieve competition in specific markets
- “Transferability” of credentials from one another country to Canada or across professions is still an open question – research underway on field of study by location of attainment of highest level of education.

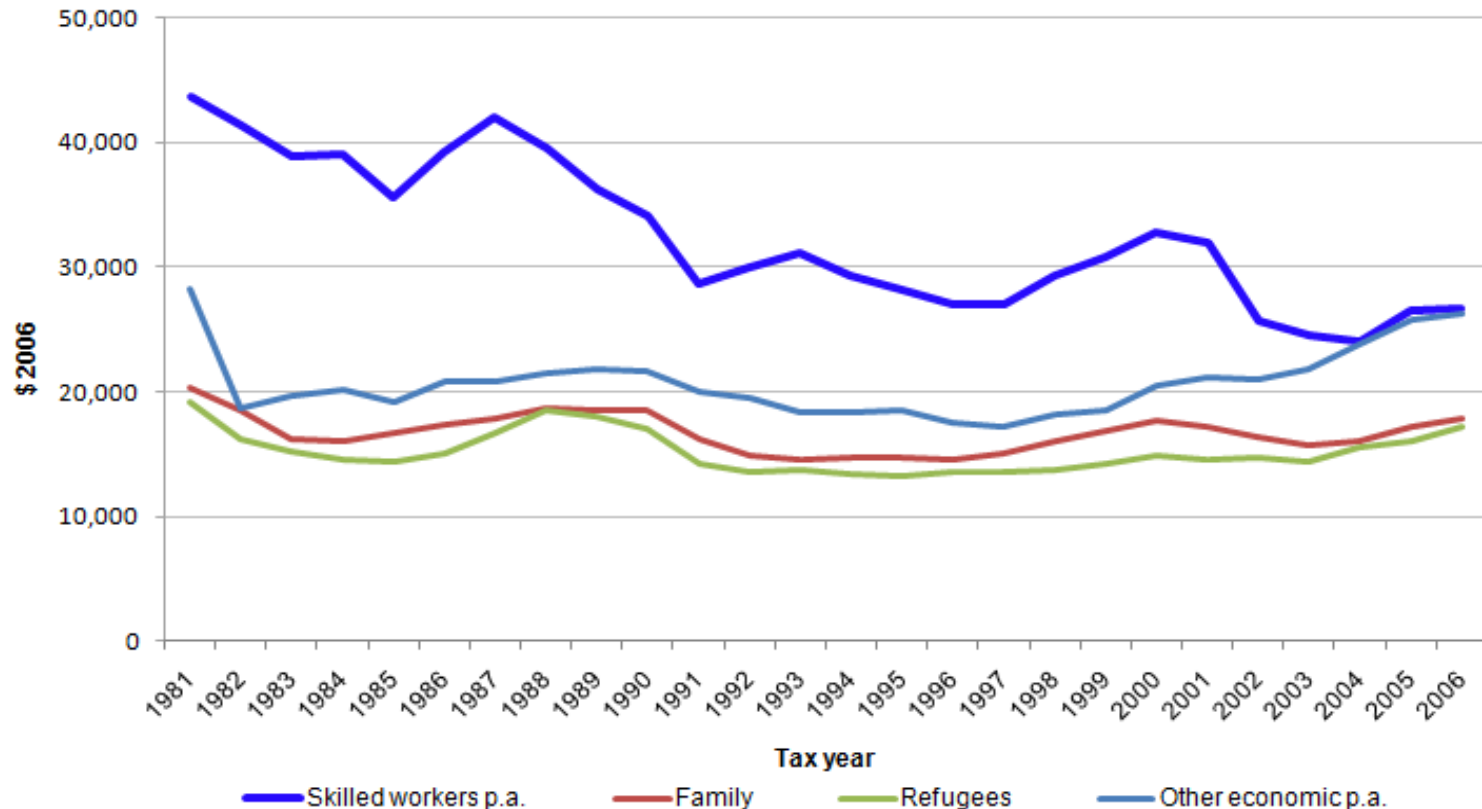


Annex

- Average employment income (one year after landing) by immigration category, Canada, 1981-2006
- Federal Skilled Worker Selection Criteria
- Federal Skilled Worker Top countries of Last Permanent Residence
- Federal Skilled Worker Top Occupations
- Federal Skilled Worker Source Country by Occupation



Average employment income (one year after landing) by immigration category, Canada, 1981-2006



Federal Skilled Worker Selection Criteria

| Criteria | Pre-IRPA points (%) | IRPA points (%) |
|---------------------------------------|---------------------|------------------------|
| Education | 16 (14) | 25 (25) |
| Official Language | 15 (13) | 24 (24) |
| Experience | 8 (7) | 21 (21) |
| SVP – specific vocational preparation | 18 (16) | |
| Age | 10 (9) | 10 (10) |
| Arranged Employment | 10 (9) | 10 (10) |
| Personal Suitability | 10 (9) | |
| Adaptability | | 10 (10) |
| Relative in Canada | 5 (4) | Under adaptability (5) |
| Occupation | 10 (9) | |
| Demographic Factor | 10 (9) | |
| Total | 112 | 100 |
| Pass Mark | 70 | 75/67 |



Federal Skilled Workers - Top countries of last permanent residence as % of total

| 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 |



Federal Skilled Workers 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 |



Federal Skilled Workers - Share by source country by occupation

| Occupation | China | | India | | Total – all countries | |
|--|----------|-------|----------|-------|-----------------------|-------|
| | Pre-IRPA | IRPA | Pre-IRPA | IRPA | Pre-IRPA | IRPA |
| 21 – Professional Occupations in natural and applied sciences | 83.9 | 39.4 | 45.1 | 42.5 | 59.8 | 29.3 |
| 11 – Professional Occupations in Business and Finance | 4.8 | 8.3 | 9.7 | 4.9 | 8.0 | 6.8 |
| 22 – Technical Occupations related to natural and applied science | 1.2 | 4.2 | 10.0 | 4.3 | 6.5 | 4.9 |
| 41 Professional Occupations in Social Science, education, government services and religion | 2.5 | 23.2 | 3.0 | 15.9 | 3.7 | 19.0 |
| 12 – Skilled Administrative and Business Occupations | 1.0 | 4.9 | 4.7 | 5.1 | 3.0 | 5.9 |
| 31 – Occupations in Health | 0.3 | 1.2 | 3.7 | 3.1 | 2.1 | 6.0 |
| All other NOC | 6.2 | 18.8 | 23.8 | 24.0 | 16.8 | 28.1 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

