The international portability of migrant human capital: Canadian experiences

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Matching Economic migration and labour market needs”
The Portability of Human Capital

- What is “portability”? 
  - Not simply skills “carried” in migration

- Portability concerns host country relevance 
  - How skills are employed and valued 
  - Has both cognitive and non-cognitive aspects

- Portability is a “two-way street” 
  - Immigrants can take actions to increase the value of their skills in the receiving country 
  - Receiving countries can fight discrimination and provide settlement services, bridging programs, credential recognition, etc.
I. Background

- Canada’s annual permanent immigration rate
  - 0.7-0.8% of the population
- Highly structured and managed system
  - 4 immigration classes; each has sub-classes
    - Economic  (62.4% in 2012)
      - Principal applicants, plus spouses & dependents
      - About 20-24% PA adjudicated by points system
    - Family    (25.2%)
      - Sponsored by Canadian resident
    - Refugee   (9.0%)
    - Other     (3.5%)
Decline in new immigrant labour market outcomes (starting in 1970/80s)

- Major cause of concern
- Key motivation for numerous reforms
Annual Earnings of Immigrants

Compared to those of Comparable Canadian-Born, Full-Time Full-Year Workers aged 16 to 64, Males

Source: Canadian Census of Population, Picot and Sweetman (2005)

Predicted values based on a econometric model
II. Key Issues: One at a time

- Human capital portability
  - Central to many aspects of the decline
  - Central to many policy changes introduced (or being introduced) to ameliorate the situation
II.1 Changing source countries (& language)

- Mostly 1970s-80s, but some later
- Bundle of issues including: language, culture, occupational structure, technology gaps, etc.
- Ethnic discrimination exists, but not simple
  - Discrimination appears to be tied to “acculturation”
  - Also, seems to interact with the way skills are valued in the labour market
Policy and debate

- Immigration in Canada has long gone hand-in-hand with multiculturalism, human rights, and anti-discrimination policies
- Provision of settlement services
  - Free/subsidized English/French language training
  - Societal integration
  - Employment/job search assistance
- Debate on approaches & sufficiency for both
Domestic language (English and French)

- Much academic evidence that language skills are essential to economic integration/success
- Probably the one central issue
- Self-reported language skills frequently differ from “tested” language skills
Policy and debate

- Formerly, language was one element of the points system (increased share from 2002)
  - Poor language skills could be counterbalanced by high scores on other dimensions
- Currently, language is an independent hurdle
  - Fluency in one language now viewed as better than limited of knowledge both English & French
- Formerly, language was not measured on a standardized scale
- Currently, language is universally tested
II.2 Pre-immigration labour market experience:
The economic rate of return

- Currently, no (or negative) economic return
- Most immigrants with substantial years of potential pre-migration labour market work experience have outcomes akin to those of new domestic labour market entrants
- Return to foreign experience often negative
  - Only males with high domestic language skills from developed countries have, on average, a positive rate of return to work experience
  - But, even for them the return has declined
- Pre- and post-migration occupational matching is associated with a substantial earnings increase.

- Oddly, matching occupations is NOT associated with an increased return to pre-migration experience unless the person is male and also has high literacy skills.
  - In some work, such a return is only observed for such individuals from “traditional” source countries.
Policy and debate

- Over time, work experience has declined in importance for immigrant selection – e.g. points
- Increased emphasis on pre-migration job offers

- New immigration streams have been introduced where pre-migration Canadian work experience is a central criteria
  - E.g., Canadian Experience Class, Provincial Nominee Programs
Experience from another perspective

- Increasing labour market penalty to immigrating at an older age
  - Decline starts in middle 30s

Policy Change:

- Points for age changed to emphasize youth
  - Also demographic rationale
II.3 Economic rate of return to pre-migration education

- Complicated
- Relative stability until late-1990s
  - Return to education lower for immigrants than for Canadian born, but not declining
- From late-1990s, among skilled worker principal applicants (i.e., under points system) the earnings advantage at entry of university educated over less educated declined
  - But, earnings increase at a much faster rate post-migration for university graduates
- Little change among non-principal applicants
Policy and debate

- Increase in the share of immigrants pre-2000
  - In the economic class
  - With university degrees

- But, emphasis on “high skill” engineering and IT occupations in late 1990s and early 2000s
  - Led to major disaster with “IT-Bust” of mid-2000s
  - Problem: Disconnect between short-term/cyclical needs of industry and the long-term nature of immigration/citizenship
Foreign Qualification Recognition
  - For BOTH education and experience/skills

Move to credential evaluation pre-migration
  - Understanding (non-)equivalencies between foreign and Canadian qualifications and skills
  - Quality of average source country educational outcomes (test scores) correlated with return to education in Canada
  - Increased pre-migration information provision
  - Shift to employers having (larger) role in selection

Increased educational bridging programs
Regulated professions
- About 20% of Canadian workforce
- Overall, immigrants under-represented
  - But, over-represented in some occupations
    - Under-represented in nursing
    - Over-represented in medicine

Pressure on regulatory bodies to ensure that processes are not biased against immigrants
- Some provinces have established “Fairness Commissioners” with a mandate to investigate and recommend changes
III. Interactions

- Recent research has considered the interactions of various skills, e.g.,
  - Immigrants, on average, have a lower rate of return to education
  - But, the return is the same once English/French literacy is taken into account
  - Language skills mediate the return to education

- For both males and females, the rate of return to education is approximately zero without English/French language skills
  - Return increases with increasing literacy
Among the skills normally studied, language is the only skill that has universal value in the labour market

- Language may, in part, proxy for other cultural/social/educational issues
Policy and debate

- Language skill level requirements have been altered in immigrant selection
  - Higher education levels now need higher language skills to pass selection threshold
    - Recognizes interaction between language & education

- Employers to have greater role in selection
  - Implicitly transferring credential evaluation
  - Pending introduction of “Expression of Interest” approach (akin to New Zealand & Australia)
    - Employers select from pool - government pre-screens
IV. Conclusion

- Canada has undertaken, and is undertaking, major policy reforms in an effort to improve immigrant labour market outcomes
  - Selection policy (including pre-migration information provision) directly targets skills portability and explicitly recognizes interactions among various types of skills
  - Settlement service provision, the operation of important labour market institutions, and policies regarding racial/ethnic/immigrant discrimination, are being adjusted to facilitate the portability of newcomers’ human capital
END
Temporary residents

- 2012 count of temporary residents was about 4 times the 2012 permanent flow
  - Just under half are temporary foreign workers
  - Many of the remainder have permission to work including: refugee claimants & foreign students
Having incomes below the “poverty line” (LICO) is increasingly common for immigrants

Source: Reformatted from Statistics Canada, Picot, Lu & Hou (2009)