

# Recruiting for success

## Challenges for Canada's Labour Migration System



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# RECRUITING FOR SUCCESS – CHALLENGES FOR CANADA’S LABOUR MIGRATION SYSTEM

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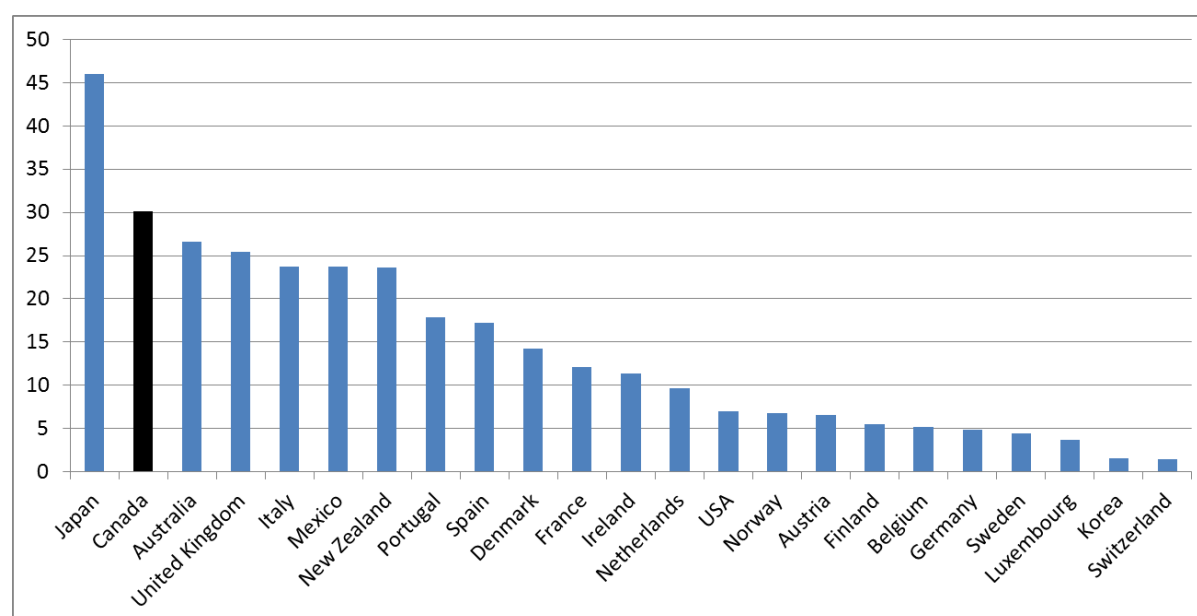
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## Introduction

As a nation built on immigration, one in five people in Canada are foreign-born – one of the largest shares in the OECD. Migration is considered part of the national heritage. The high share of immigrants has been a long-standing feature of Canada's development, having one of the longest-standing and largest managed labour migration systems in the OECD. In 1967, Canada introduced the world's first points-based system, which allowed for a transparent admission of labour migrants based on skills rather than origin. Only 30% of the permanent immigrants in Canada are labour migrants themselves (Figure 1). However, labour migration largely shapes the overall admission, since the family members of skilled labour migrants – who account for the bulk of the remainder, also tend to be relatively skilled – and indeed accompanying family is considered part of economic migration.

**Figure 1: Permanent labour migration, as a share of total immigration, 2014**



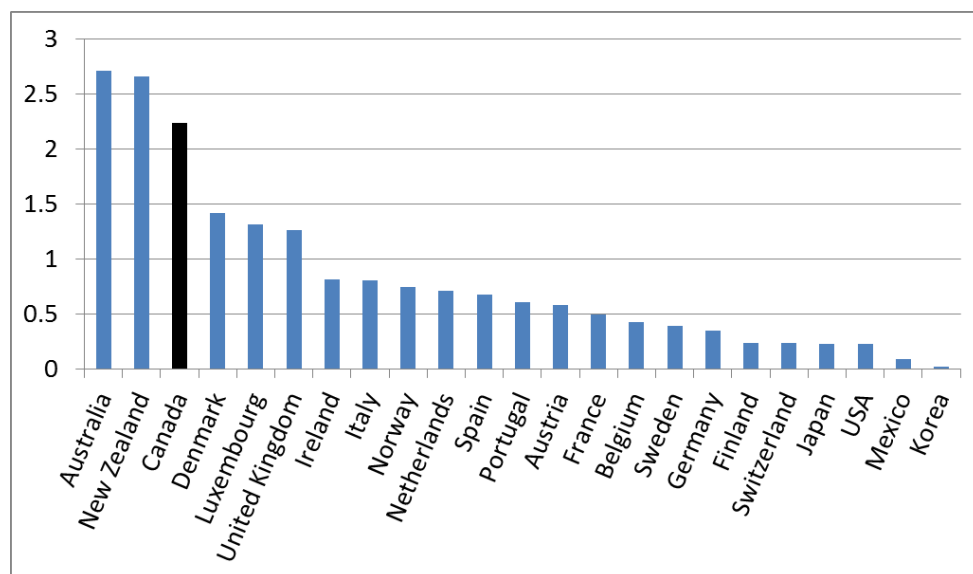
Source: OECD International Migration Database.

As a result, the overall integration outcomes of the immigrant population in Canada tend to be well above those seen in most other OECD countries, and public acceptance of migration is high. Against this backdrop, Canada is widely perceived as a role model for successful management of migration.

Both in absolute levels and relative to its population, Canada has high labour migration in international comparison (Figure 2), and there has been significant recent growth in both the temporary and permanent components, especially among the former. Over the past decade, permanent labour migration increased by more than 50%, and the planning of immigration levels for 2016 foresees a further increase. The number of holders of a temporary work permit has almost tripled over the same time horizon, and now accounts for 1.5% of the labour force.

Over the past two years, there have been a number of significant reforms of the Canadian immigration system, in both temporary and permanent migration. The most significant change has been the introduction of a new selection system for permanent labour migration – Express Entry. This system has been rolled out in January 2015 with a view to enhance flexibility, speed up processing, and to be more responsive to labour market needs.

**Figure 2: Permanent labour migration, in per thousand of the population, selected OECD countries, 2014**



Source: OECD International Migration Database.

More generally, one of the marked features of the Canadian system in international comparison is the relatively frequent adaptations of the labour immigration framework, to react to changing conditions and to fine-tune policies in light of new evidence. Much of the underlying analysis is done within the administration, which has a separate research and analysis directorate that informs policy making and regularly reviews the main migration programmes. The frequent, significant and recent changes make a full assessment of their impact difficult. At the same time, there has been no recent comprehensive review and assessment of the Canadian immigration system in its entirety and it is thus important to perform one.

This document provides an overview of the key challenges for Canada’s labour migration system, along with recommendations for future policy making. These have been identified in a forthcoming comprehensive OECD review of the Canadian migration system. The key challenges are:

- Challenge 1: Attracting and selecting those with the skills to succeed*
- Challenge 2: Maintaining the consistency of the selection system*
- Challenge 3: Selecting temporary labour migrants to meet temporary labour needs*
- Challenge 4: Ensuring consistency between federal and provincial selection*
- Challenge 5: Getting the admission levels right*

To meet these challenges, and to further strengthen Canada’s labour migration system, the review makes a number of recommendations. The key recommendations are as follows:

## Key recommendations

### A. Streamline the admission for permanent labour migration

- Abolish the labour market impact assessment for permanent migration and replace it with integrity checks.
- Consider merging the Canadian Experience Class and possibly also the Federal Skilled Trades Programme into a revised Federal Skilled Worker Programme.
- Clarify the objectives of the Caregiver Programme and, if appropriate, consider merging it with the Federal Skilled Worker Programme – especially if an intermediate-skilled transition pathway materialises.
- Ensure that future growth of the PNP comes predominantly – if not exclusively - from the Express Entry stream.
- Consider minimum education levels for all PNP, similar to those needed for Express Entry.

### B. Improve the management of temporary labour migration

- Consider facilitations in the labour market impact assessment of high-wage temporary labour migrants
- Consider facilitations in the labour market impact assessment for the renewal of temporary permits, notably for high-wage positions.
- Extend the four-year maximum on lesser-paid positions to five years to allow workers to gain the maximum number of points for transition.
- Establish a trusted employer pathway with facilitations in access to temporary foreign workers.
- As a counterpart to facilitations in the labour market impact assessment, enhance monitoring and compliance.

### C. Reform the comprehensive ranking system

- Significantly reduce the number of bonus points for job offers.
- Consider to provide some points for Canadian work experience in intermediate occupations, to favour for the admission of skilled candidates with Canadian work experience in such occupations who meet the basic admission criteria under the Federal Skilled Worker programme over candidates from abroad with otherwise similar skills.
- Offer bonus points for Canadian education.
- Consider offering bonus points for pre-recognition of licensed occupations.
- In a system with the Federal Skilled Trades Programme merged into the Federal Skilled Worker Programme, provide bonus points for employment in these occupations.

### D. Improve the planning and monitoring of labour migration

- In light of increasing onshore recruitment, provide more flexibility in the admission levels, including through multi-year planning.
- Collect more labour market information at provincial level and feed this into labour migration planning and monitoring.

Overall, the Canadian labour migration system is among the most elaborate and efficient in the OECD. Regarding permanent migration, the recent introduction of Express Entry has further enhanced the competitive edge of the selection system relative to other countries and ensures that those with the skills to succeed are admitted to Canada in a quick and efficient way. The new Express Entry system has a strong link with the labour market, which is a positive feature as it ensures labour market integration for new arrivals and responsiveness to labour market needs. However, by awarding half of the maximum available points to a job offer, the system went too far, and the number of points awarded for eligible job offers should be lowered. The strength of Express Entry as an elaborate and efficient system in selecting candidates with good skills could be used further to accommodate future growth in the Provincial Nominees, favouring candidates with regional nominations. In this context, it could be considered to give a limited number of points to candidates with work experience in Canada in intermediate-skilled occupations, provided they otherwise meet the basic minimum criteria under the Federal Skilled worker programme, under which the Canadian Experience class and possibly also the Caregiver programme could be subsumed. For such a strategy to work, the number of additional points for arranged employment would have to be significantly reduced, and limited to skilled employment. On the temporary migration side, there seems some scope to reduce the complexity of administrative procedures without compromising on compliance, for example by introducing employer sponsorship and by easing the labour market testing for high-wage occupations and renewals.

## Challenge 1: Attracting and selecting those with the skills to succeed

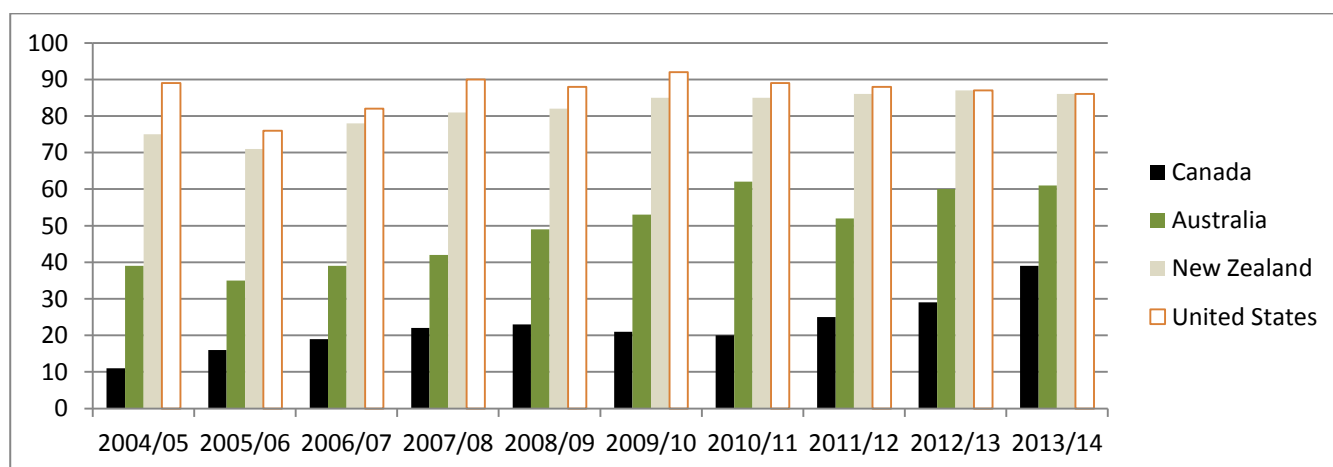
Skilled immigrants are an important source of labour for a settlement country like Canada to replenish its human capital needs and to address its labour market demands. For this to work, permanent migrants are expected to settle and thrive. In order to achieve this, not only does Canada need to maintain its position as an attractive destination for these migrants, but it also needs to make sure that it can provide the necessary environment to retain them and to make the best use of their skills.

Globally, the **competition for talent** has grown considerably, with all OECD countries and a growing number of emerging economies providing specific channels to favour high-skilled labour migration. However, Canada is well-placed in this competition. In 2013, more than 60% of immigrants in Canada had tertiary education – by far the largest share among all OECD countries and well above the share among the native-born (46%). Among 111 countries covered by a Gallup survey on emigration intentions, respondents in 20 countries who are considering to emigrate mentioned Canada as one of their three preferred destinations. Looking only at those respondents who were highly-educated, Canada was even mentioned as one of the top three preferred destinations among respondents in 37 countries. Only the United States had even higher figures. For many years, the number of eligible candidates with the required skills has exceeded the places available. Since under pre-2015 rules, all eligible migrants had in principle to be accepted, this led to significant backlogs in the admission.

Canada is thus a very attractive country for immigration, and puts significant efforts into maintaining this position. Among these are recruitment fairs in key origin countries. Canada has also been a leader in the provision of pre-migration services. Partly as a result, visa wastage is low – less than 2% of invited candidates do not land in Canada. Of those who land in Canada, about 80% stay for at least five years, a figure that is similar to the other settlement countries but lower than in most European OECD countries.

One way of ensuring that migrants who are likely to succeed are selected is to favour those who are already partly pre-integrated, i.e. who are already in Canada as a temporary migrant when being admitted as permanent migrants. OECD analysis on transitions, which are discussed at length in the background report, show that the share of onshore transitions has more than tripled over the past decade. However, it is still much smaller than in Australia, New Zealand and the United States (Figure 3).

**Figure 3. Onshore transitions to Permanent Residence (%), 2004-2014**



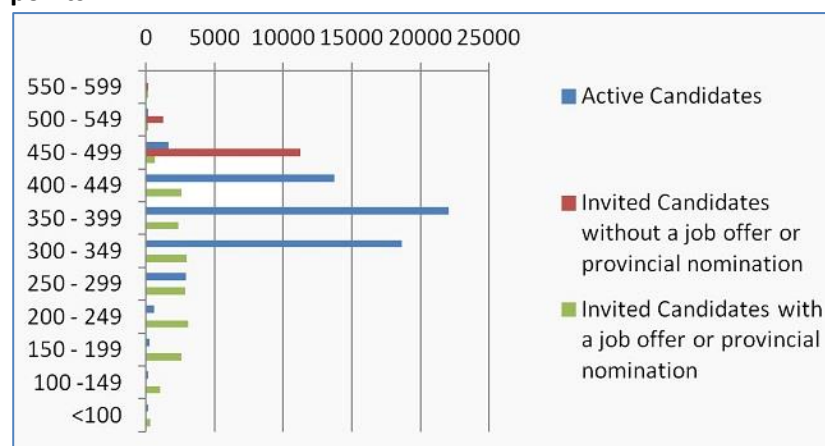
Source: OECD Secretariat analysis based on national administrative data.



With **Express Entry**, which was introduced in January 2015, a new uniform framework is in place under which all federal economic (skilled) admissions are managed and ranked through a uniform points grid. This system took the points-based infrastructure that had been in place for more than four decades and changed the application process. Potential candidates express their interest in immigrating to Canada by creating an online Express Entry profile at no cost. This pre-screening step incorporates elements of the Expression of Interest models used in Australia and New Zealand, and an in-depth comparison and analysis of initial results is done in the background report. In order to be able to enter the Express Entry pool, candidates must meet the criteria of one of the pre-existing federal economic (skilled) programmes, as well as meeting core requirements in terms of qualification level, skilled work experience, and language knowledge. Those who meet the Minimum Entry Criteria for the Canadian Experience Class (CEC), Federal Skilled Worker (FSW), or Federal Skilled Trades (FST) programme are accepted into the Express Entry Pool. Candidates in the pool are assigned a score according to the Comprehensive Ranking System, which is a human capital based ranking system that also rewards a job offer or Provincial/Territorial nomination. Candidates with the highest ranking scores are invited to apply for permanent residence by the system to a specific skilled immigration programme, according to a pre-determined programme invite order among the CEC, FSW and FST streams, or specifically to the PNP for those who are nominated by a province. An innovation has been to account in the selection system not only for the individual characteristics of the candidate, but also the interaction of these characteristics. Such “transferability points” are based on an assessment of the determinants of positive outcomes for previous cohorts of migrants (see Bonikowska, Hou and Picot 2015). For example, that a high qualification is valued most when associated with a high mastery of either English or French; this is reflected in additional points for this combination.

Express Entry was intended to enhance flexibility, speed up processing, and to be more responsive to labour market needs – including at the regional level. The available evidence to date suggests that these aims are being achieved. In particular, processing is much faster: in about 80% of the cases the processing is at most 6 months, compared with 1-2 years previously. With respect to being more responsive to labour market needs, a key element has been that skilled applicants with a job waiting are given 600 additional points, which is half of the total maximum points that can be achieved. In practice, since the points threshold has been below 600 points for most draws thus far, all those with a job offer have been able to get admitted quickly. The same number of bonus points is given to those who are nominated by a province. Each participating province has thus been allocated a specific share of Express Entry quotas.

**Figure 4. Distribution of Express Entry candidates invited in 2015 or active in the pool early 2016, by core points**



Source: Immigration, Refugees and Citizenship Canada (IRCC) (2016).

Candidates in the pool who have an eligible job offer or a provincial nomination are almost certain to get selected, even if they have just reached the bare minimum of the entry criteria into the pool. In contrast, it implies that candidates with much higher human capital but no eligible job offer or provincial nomination may not get drawn. Figure 4 illustrates this by showing the core points – not including the 600 bonus points for arranged employment – among those with and without arranged employment. The large weight of arranged employment has meant that those selected without a job offer had much higher core skills on average than those with arranged employment. In addition, the former group tends to be clustered within a relatively narrow range of points. This means that relatively small changes in the admission criteria could have a significant impact on who gets selected.

What is more, the heavy weight of arranged employment has implicitly favoured admissions under the Canadian Experience Class (CEC), as these tend to have arranged employment by the nature of the programme. Indeed, more than a third of all admissions under the Express Entry in its first year were in this category, although this is partly due to the fact that the system prioritises CEC, and many of the candidates admitted under CEC would have also been eligible under the FSW. In terms of occupations, there has been significant concentration of Food Service Supervisors and Cooks, which were the two largest groups of invited candidates in 2015, accounting for 8% each. These occupations are not particularly high-skilled, and their large share raises questions about the efficacy of the system to select and attract those with the highest skills – which seems linked with the high weight for arranged employment which these groups tend to have. It also raises questions regarding the skills cut-off for admission: currently eligible jobs must be either managerial (NOC skill level 0), professional (level A) or technical/skilled trades (level B), whereas intermediate jobs (level C) and elementary jobs (level D) are excluded. Taken together, levels C and D account for almost 40% of employment in Canada – a vast segment of employment is thus effectively excluded from transition to permanent residence.

This means that managerial jobs in small shops or restaurants are admitted whereas intermediate jobs such as butchers and long-haul truck drivers are not eligible. Food Service Supervisors and Cooks are also mainly admitted under the Canadian Experience Class, and would not qualify for the more selective Federal Skilled Worker Scheme.

These issues notwithstanding, it is important to note that the previous system did not rank candidates by points, and everyone who met the minimum criteria was in principle not only eligible but in line to enter. This led to significant backlogs. Express Entry not only provides a solution to the backlog issue – candidates drawn from the pool are admitted within six months – but through its ranking it favours candidates with higher skills within the two groups of candidates (i.e. those with and without a job offer/provincial nomination).

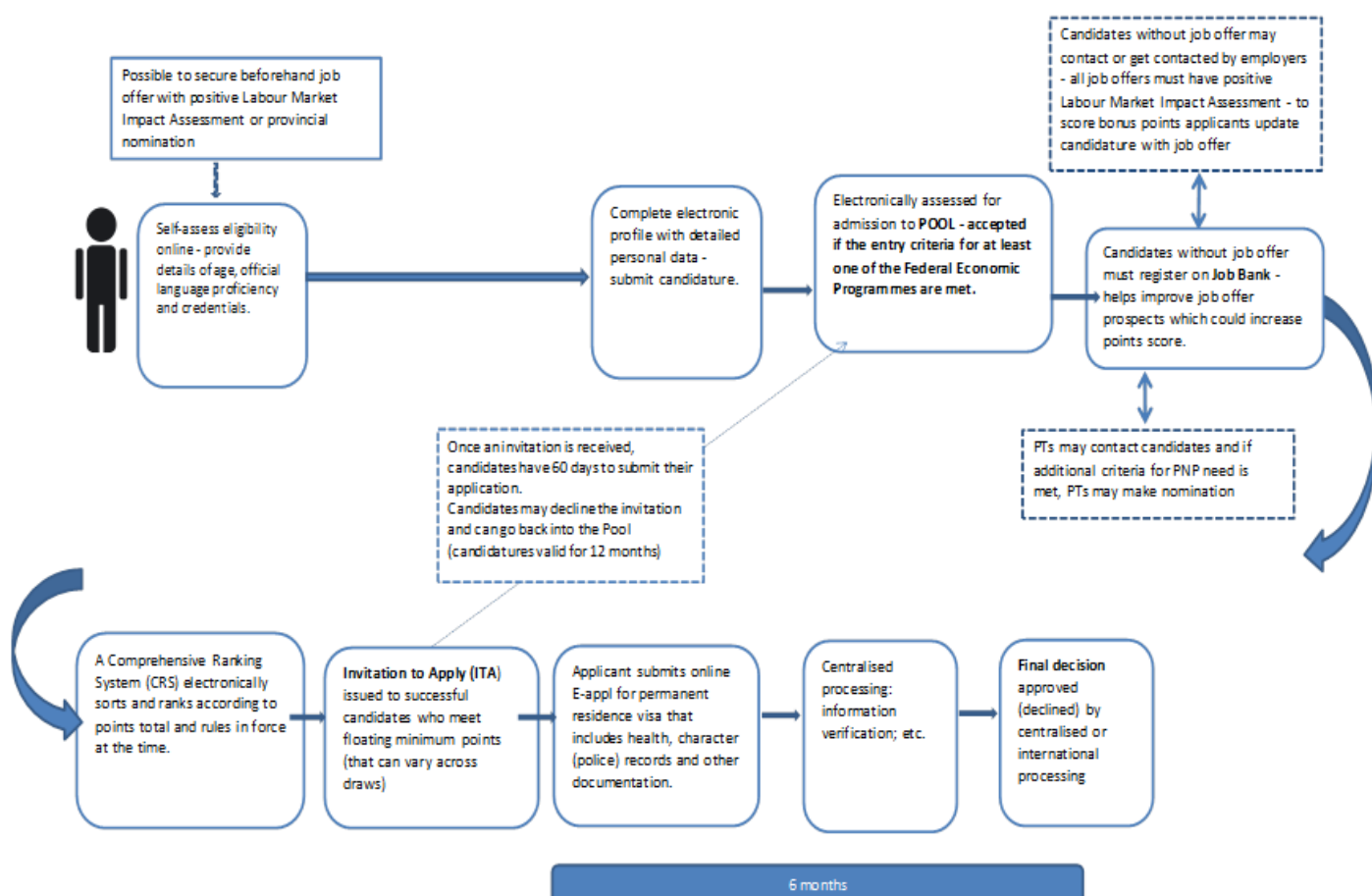
Under the current system, when there are a lot of applicants with job offers, the system becomes largely demand-driven and when jobs dry up, it reverts to supply-driven migration. Favouring candidates with job offers is not necessarily a problem, since their labour market integration in the short run is guaranteed. However, higher human capital is a predictor of positive long term labour market outcomes (Bonikowska, Hou and Picot 2015) and long-term employability. Between short-term integration and longer-term concerns, the current points attribution - lower thresholds for human capital at entry stage and the high weight for a job offer or provincial nomination - largely favours the former. However, given Canada's long-term immigration objectives, there is a need to have a balance between demand- and supply-driven migration.

Not all jobs offers are eligible for the 600 bonus points. To be eligible, the job offer must be accompanied by a positive **Labour Market Impact Assessment** (LMIA) from Employment and Social Development of Canada (ESDC).

All LMIA, whether for permanent or temporary (see challenge 3 below) purposes, essentially undergo the same assessment to ensure the *genuineness* of an employer’s job offer, among other criteria. However, there are additional requirements specific to permanent migration, and the depth of verification of certain factors in permanent LMIA is more rigorous.

When an employer wishes to recruit from abroad, the assessment process usually starts with the employer registering the vacancy with Canada’s national Job Bank (Figure 5) and advertising that vacancy for a minimum of 30 days, one of the longer labour market tests among OECD countries. If a suitable local jobseeker is not found by the end of that period, then employers can extend their search to include foreign workers. If a qualified foreign worker is found, the employer then applies for the assessment. Employers with a positive assessment provide this information and the job offer letter to the candidate to include in their Express Entry profile.

**Figure 5: Selection and admission process for economic migrants to Canada**



Source: OECD Secretariat.

The process for obtaining a positive LMIA varies across programme streams, which renders the system rather complex. For example, in the case of Federal Skilled Workers, the position should be permanent, whereas for FSTP just a one-year full-time position is sufficient.

The requirement of a LMIA in the process for skilled permanent migrants who are pre-screened to meet various skill and immigration requirements resembles more the US system (which imposes a labour market test on all but the most qualified) than the systems in Australia and New Zealand. In the latter two countries, a skilled

permanent job offer does not require any labour market assessment. In the case of FSW, there is no assessment of wages or working conditions other than verifying skill levels which are in any case assessed by IRCC through its application process. This raises the question of whether this additional step is actually needed.

#### *Key issues*

- Competition with other destinations has grown.
- Half of the points available can be secured through a job offer or a provincial nomination, meaning that an eligible job offer with minimum skills almost guarantees selection, whereas better-skilled candidates without a job offer may not get chosen.
- To be eligible, a job offer must undergo a labour market impact assessment, which is rather complex and unusual compared with practices in other settlement countries. It is seen as balancing the risk associated with the high number of points awarded for a job offer.

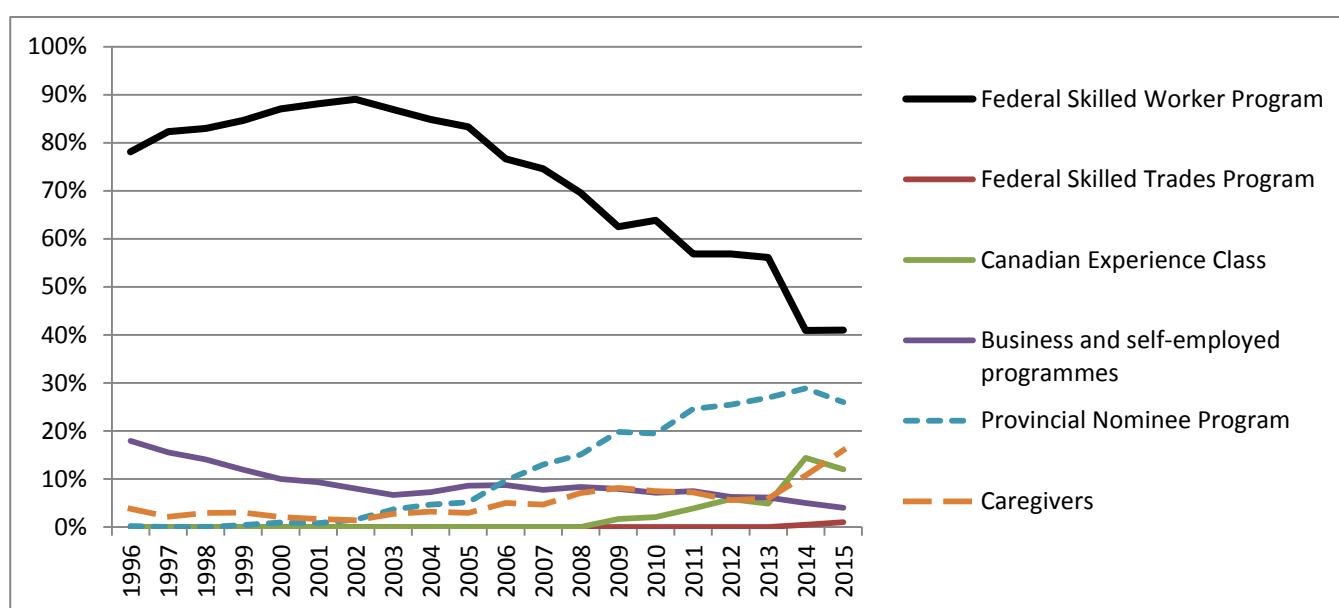
#### **Possible directions for future policy development**

- ***Lower the number of points for arranged employment.***
- ***In a system with lower points for employment, replace the current labour market impact assessment with integrity checks.***
- ***Consider to provide a federal pathway to permanent residency for those with intermediate-level occupations who otherwise have sufficient qualification and language skills under the Federal Skilled Worker Programme. To keep the selectivity of the system, such intermediate occupations should receive fewer points than high-skilled occupations.***

## Challenge 2: Maintaining the consistency of the selection system

One marked feature of the recent evolution of the Canadian migration system has been its diversification, primarily due to the expansion of the Provincial Nominee Program and the introduction of the Canadian Experience Class and the Federal Skilled Trades Program. In 2015, only about 41% of permanent labour migrants passed through the Federal Skilled Workers (FSW) programme. Ten years earlier, the figure was more than twice as large (83%) (Figure 6). In addition to the FSW, there are now five further channels for permanent labour migration. The most important other channels, all of which have seen significant growth over the past decade, are migrants sponsored by the provinces and territories under the Provincial Nominee Programmes (PNP; almost 26% of the total), followed by Caregivers (16%) and the Canada Experience Class (CEC, 12%).

**Figure 6: composition of annual economic migration to Canada, by programme, 1996-2015**



Source: OECD Secretariat Calculations with data from IRCC.

**Caregivers** come to Canada initially on a temporary basis, to meet needs for caregiving in Canada. The terms of this programme are among the most generous for caregiving among OECD countries. Once they have completed 24 months of work, living in the employer's home as a caregiver, in the four years since arriving in Canada, they may apply for permanent residence from within Canada, for themselves and eligible dependents. In contrast to all other groups of permanent economic migrants at the federal level, caregivers are thus not subject to a skills assessment via Express Entry. The vast majority of caregivers transit to permanent residency. A 2013 evaluation (CIC 2013) suggested that 95% of caregivers leave the profession within five years after they become permanent residents. Their average earnings are low, although employment levels of this group remain high even after five years in Canada. However, the longer-term labour market outcomes of this group beyond five years have not yet been assessed. Furthermore, data from visa offices processing applications suggests that in some of the regions, as many as 40% of live-in-caregivers in the past have come to work for relatives in Canada. This, together with the high proportion of caregivers who switch to other, often rather low-paid jobs after admission, as well as the large and growing number of people involved, raises questions about the underlying objectives of the programme. If the objective is to maintain a caregiver workforce in Canada, the question is whether a quasi-automatic transition to permanent residency is the right reward, given that most leave the profession thereafter

to take on other, but often comparatively low-paid jobs. One issue is, however, that currently there are no alternative federal onshore transition pathways for temporary migrants at this skills level. At the same time, many caregivers have higher education, so they are potentially be eligible for existing pathways (such as the Federal Skilled Worker Program). In principle, caregivers could also transition as provincial nominees, but their strong concentration in Ontario – where provincial nominations are rare – would argue against this. As of November 30, 2014, the Caregiver Program has been replaced with two five-year pilot permanent resident programmes for foreign workers with experience as caregivers in Canada. The two new programmes are: Caring for Children, and Caring for People with High Medical Needs.

The **Canadian Experience Class** (CEC) was introduced in 2008 to help address substantial application backlogs and wait times in the FSW, as well as to increase responsiveness to labour needs. The need for a specific CEC programme is thus less clear now that Express Entry favours onshore transition through the bonus points for arranged employment and is eliminating the backlogs. A further objective of the CEC was to provide a pathway for international graduates. The programme originally comprised a student and a worker stream, but the two streams were merged in 2013. Currently, all CEC applicants are required to have 12 months of Canadian work experience, within the 36 months prior to applying, in a NOC level O, A or B (i.e. skilled and high-skilled or managerial) occupation, as well as meet the language requirements associated with their respective occupational levels. Candidates with Canadian credentials are no longer favoured, in spite of evidence that Canadian credentials are much higher valued on the Canadian labour market than foreign credentials. In light of this, bonus points could be provided for Canadian credentials within the Comprehensive Ranking System in Express Entry.

A 2015 evaluation of the CEC programme (IRCC 2015) showed relatively favourable outcomes shortly after admission. However, by the nature of the programme, migrants selected through this route tend to have a job already upon admission. It is thus not surprising that their early outcomes are favourable. Given that the programme is relatively recent, and has expanded significantly over the past decade, the early outcomes of the first – small – cohorts may not be representative of more recent cohorts, particularly in the long run. A full assessment is thus impossible at current stage, and it will be crucial to continuously monitor the outcomes to determine whether this programme values short-term outcomes over longer-term potential.

Since 2013, a new **Federal Skilled Trades Programme** (FSTP) has been in place with the aim of facilitating the migration of skilled tradespeople to Canada to address labour shortages in a range of trade occupations. To be eligible for the FSTP, migrants must have a full-time job offer from an employer for at least a year in one of these trades or hold a PT certificate of qualification in their intended occupation. In addition to meeting the job requirements (as defined by the NOC), applicants must also prove at least two years' work experience in their intended occupation within the last five years. In spite of providing a lower-threshold access to permanent residency than other admission streams, the programme has taken off slowly. One reason for this is the fact that the Skilled Trades tend to be regulated professions. A recent analysis (Jantzen 2015) showed that the likelihood of working in a regulated occupation is closely related to the location of educational attainment. Those who attained their highest education degrees in Asia are about half as likely to work in a regulated occupation as those with a Canadian one.

More generally, although all immigrants with foreign qualifications need to have them assessed as equivalent to Canadian credentials, this does not guarantee access to regulated professions, as the assessment for migration purposes is not a formal procedure for foreign credential recognition (FCR). In Canada's federal system, FCR



procedures are largely with the provinces and territories, in spite of some recent harmonisation. However, there is a high probability that someone licensed in one PT would also make it in another PT. To enhance the chances that those admitted on the basis of skills in a regulated profession are actually able to exercise it after admission, bonus points could be given to candidates who acquired recognition prior to departure in one of the PT.

The diversification in programmes with different objectives has allowed the system to respond to different types of needs and migrants but also rendered it more complex. Express Entry has added further complexity, as two separate points systems may appear to be in place: one for pool entry eligibility under the FSW, and one under which all candidates in the pool are assessed. As discussed above, the high weight of a job offer tends to favour admissions under the CEC programme, which has lower entry requirements. At the same time, Express Entry obviated some of the original motivations for having separate streams, making the CEC in particular redundant.

#### Key issues

- There has been a strong diversification in economic programmes in recent years, primarily due to the expansion of the Provincial Nominee Program and the introduction of the Canadian Experience Class and the Federal Skilled Trades Program.
- The Canada Experience Class was introduced to allow for a facilitated onshore transition of those already working in Canada. However, this group tends to have arranged employment and thus benefits strongly under the new Express Entry system.
- The overwhelming majority of caregivers transition to permanent residency. Of those who transit, 95% change occupations within five years after transition.
- Intermediate jobs (NOC level C) account for 28% of employment. Yet, apart from the caregiver programme, there is no federal pathway for migrants in intermediate jobs to permanent residency, even if they have otherwise good skills.
- Evaluations suggest positive outcomes of permanent migrants admitted through the CEC and the LCP; however these largely mirror the fact that these groups have employment upon admission. There has been no evaluation that looks at the long-term outcomes.
- Foreign qualifications are largely discounted in the Canadian labour market, a fact which the system and migrants themselves often ignore.

#### Possible directions for future policy development

- **Consider merging the Canadian Experience Class and possibly also the Federal Skilled Trades Programme into a revised Federal Skilled Worker Programme. In exchange, provide bonus points for Canadian education and for Canadian work experience in intermediate-skilled occupations.**
- **Clarify the objectives of the Caregiver Programme and, if appropriate, consider merging it with the Federal Skilled Worker Programme – especially if an intermediate-skilled transition pathway materialises.**
- **Continue to promote standardisation and harmonisation of foreign credential recognition and better inform candidates about the issues involved.**
- **To encourage pre-recognition in regulated occupations, in particular in the skilled trades, consider bonus points for pre-recognition.**

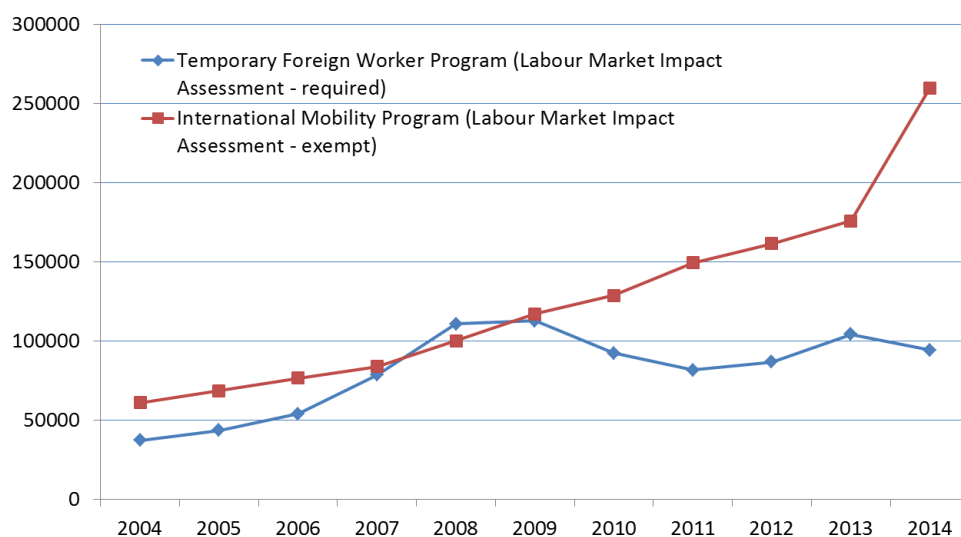
### Challenge 3: Getting temporary labour migrants to meet temporary labour needs

Temporary migration to Canada has undergone significant growth over the past decade. Between 2004 and 2014, temporary migration has increased by more than two-and-a-half times.

Following a number of high-publicised abuses of the temporary foreign worker (TFW) programme, the system was tightened in June 2014. To improve transparency and accountability, the programme has been separated in terms of those workers requiring a Labour Market Impact Assessment (LMIA) and those who do not. Only those requiring a LMIA are now part of the TFW programme, while those who are exempt became part of the International Mobility Program (IMP), which focuses on serving Canada's broad cultural and economic interests. In contrast to permanent labour migration, the temporary foreign worker programme is jointly managed by ESDC/Service Canada, Immigration, Refugees and Citizenship Canada (IRCC) and Canada Border Services Agency (CBSA). The TFW programme is jointly managed by Employment and Social Development Canada (ESDC) and IRCC, and ESDC conducts the LMIA. The role of CBSA is to determine the admissibility of foreign nationals to Canada at the Port of Entry (POE). CBSA also verifies the eligibility of foreign workers and issues work permits on behalf of IRCC, if the necessary criteria are met.

The OECD analysis suggests that by and large, most temporary foreign workers tend to fill labour needs that are difficult to meet through other means, and the programme is quite reactive to changes in economic conditions. However, most of the growth has been under the IMP and thus under categories which are not subject to a LMIA (Figure 7). Although 2015 data on migrant stocks are not consistently available, flow data for 2015 show a rather significant decline over 2014 in both the IMP and the TFW streams.

**Figure 7. Evolution of temporary migrants, by programme type**



Source: Data from IRCC.

Admissions under the **IMP** are less reactive to changes in economic conditions, since the IMP primarily aims to advance Canada's economic, cultural and national interests rather than to meet labour shortages. Indeed, the IMP is a very diverse stream, with the largest categories being International Experience Canada (Canada's Working Holiday Maker Programme), post-graduate employment of graduates from Canadian tertiary education institutions, temporary workers under NAFTA, and intracompany transfers. These categories can of course also



have a labour market impact, but apart from post-admission compliance – which mainly aims at detecting fraud - there is not much that can be done to address this (OECD 2014b). As a reaction, IMP compliance measures have been strengthened with the 2014 reforms.

The maximum duration of the work permit depends on skills level, and each renewal needs a new LMIA. High-wage temporary foreign workers can renew their permits indefinitely, in contrast to workers below the provincial median wage for whom the maximum is four years. After this period, these are banned from applying for a new permit for an additional four years. This implies that lesser-paid occupations in structural shortage will need replacement; especially in intermediate jobs (NOC C) for whom transition to permanent residency is currently largely closed through federal economic programmes. The reasons for this somewhat arbitrary cut-off are not entirely clear, since the LMIA is designed to avoid negative impact on Canadian workers or compliance issues that may arise. In addition, certain low-skilled positions are barred from recruitment anyways (see below). In combination with a pathway for intermediate-skilled workers, an extension to five years would allow foreign workers with the necessary skills to gain the maximum points for Canadian work experience and then transition.

Some of the other key changes included the creation of five new categories under the TFP – a high-wage and a low-wage category (above or below the provincial/territorial median wage level), a primary agricultural stream (including the Seasonal Agricultural Workers program) and a highest-demand (skilled trades), highest-paid (top 10%), short-duration (120 days or less) category. The fifth category is the Live-in Caregiver programme, as previously described. A key feature is the use of the provincial median wage as the determinant of skill level and local labour need rather than the NOC.

In parallel, tightened provisions for testing the labour market for local workers have been introduced. The new **Labour Market Impact Assessment** is rather complex. It now places a greater burden on employers to provide information such as the number of Canadian workers who applied for the position, the numbers who were interviewed and reasons why they were not hired. As before, wages and working conditions are checked against a number of criteria to ensure that TFWs do not get effectively lower pay. In addition, ESDC has considerable discretion to consider direct labour market benefits from the hiring of the foreign worker(s) such as transferring skills and knowledge to Canadians, filling a labour shortage, or directly creating or retaining opportunities for other Canadians. Union opinion is also considered. A LMIA fee of CAN \$1000 applies, up from the \$275 per position fee which was first introduced in 2013.

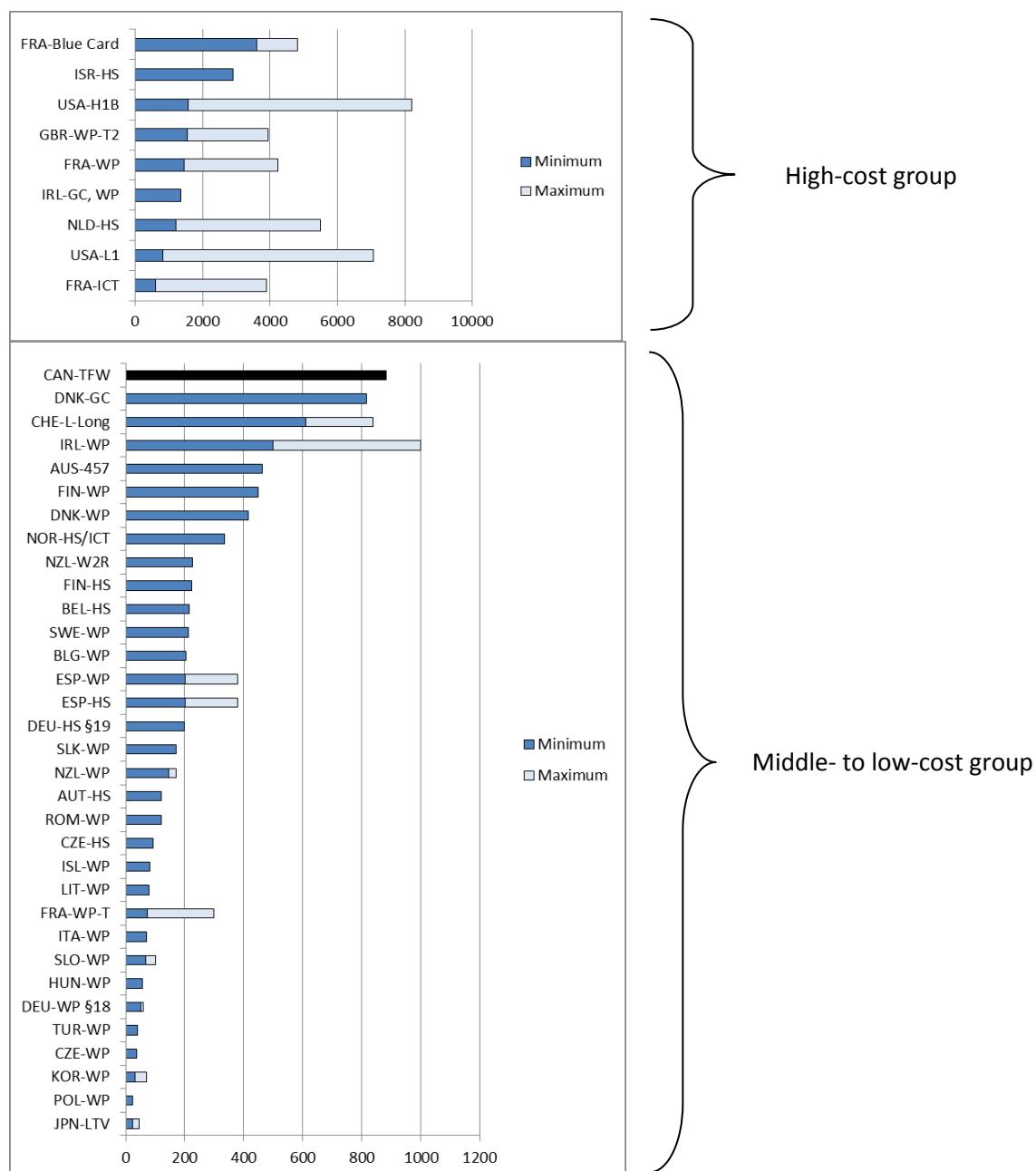
When this fee for the LMIA is added to the visa cost, Canada is on the higher end of OECD countries with respect to the cost for admission of temporary labour migrants (see Figure 8). What is more, most countries in the top group charge the cost only upon admission. In contrast, the LMIA fee is not refunded in case of a refusal. High visa costs can be an effective means to ensure that training and recruitment of local workers are given privilege over recruitment from abroad, so they must be assessed in conjunction with other disincentives to recruit, such as lengthy processing times and labour market testing (see further below on processing).

Employers with 10 or more workers applying for a new LMIA face a cap of 20%, of their total workforce as some employers were seen to have a disproportionately high number of TFWs. Indeed, almost 10% of employers hiring TFWs in 2013 had a workforce made up of 50% or more TFWs. However, to give employers time to adjust, the cap is being phased in with a 3 year grace period.

For high-wage occupations, employers must also provide a “transition plan” in which they specify how they want to ensure that in the future they will reduce their dependence on temporary foreign workers and transition to a

Canadian workforce or to lead the worker to permanent residency. This plan requires filling in a ten-page form. It is not clear why this requirement is in place for high-wage jobs. Most other OECD countries favour rather than discourage recruitment of high-wage migrants. On the basis of international evidence reviewed in the background report, one would expect that concern over a dependency on TFWs would be more pronounced concerning the low-skilled where one would expect that possible competition with Canadians tends to be greater.

**Figure 8: Visa costs for temporary labour migrants, most recent year, in Euros**



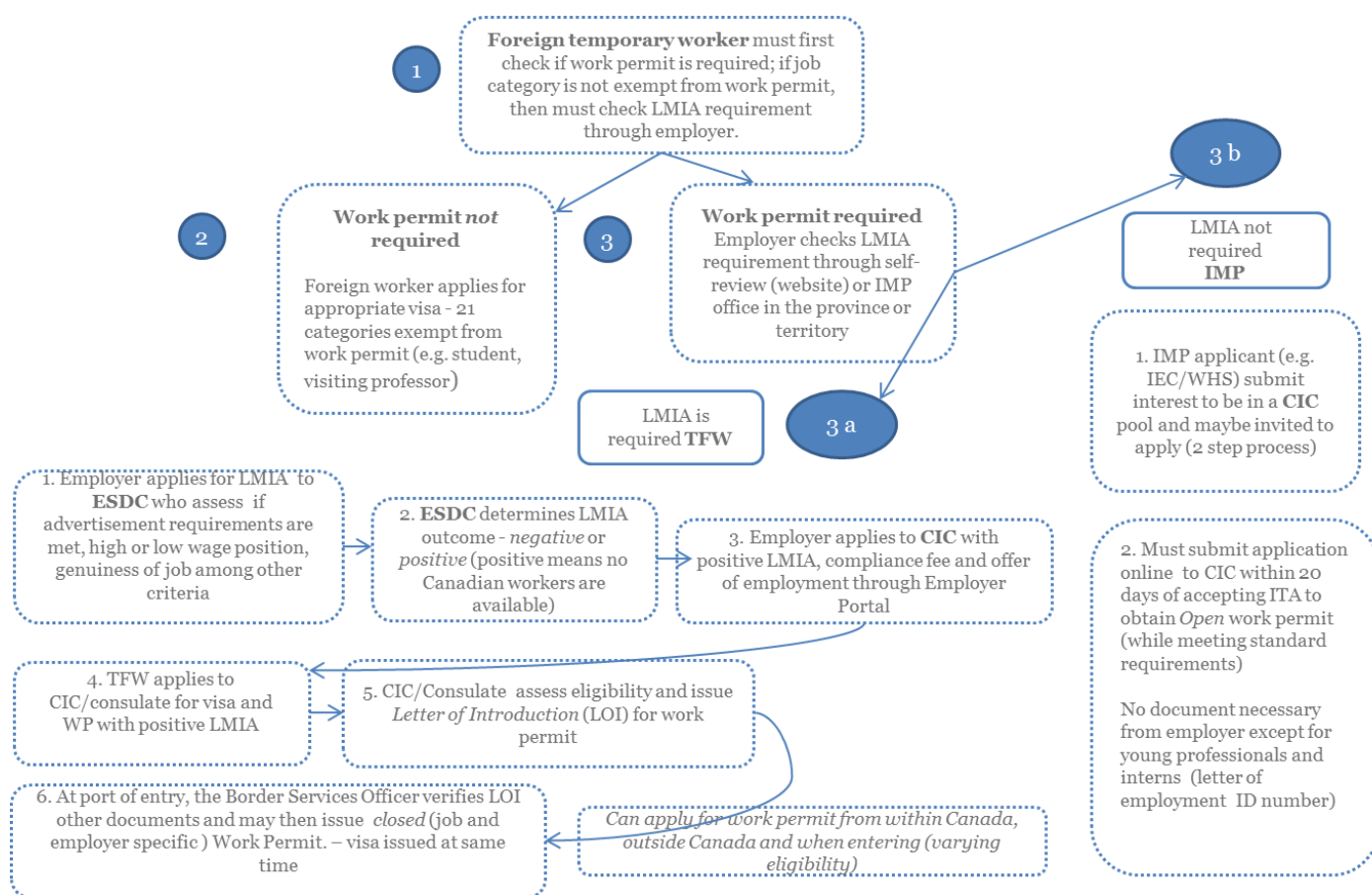
Source: OECD Secretariat calculations.

Applications from some service sectors such as *Accommodation, Food Services and Retail Trade*, specific lower-skilled occupations (e.g. *Light duty cleaners, cashiers*) as well as positions requiring little or no education in areas

with high unemployment of 6% and above are no longer eligible for TFWs, to reserve such positions for low-skilled local workers and new labour market entrants. The duration of a work permit for low-wage workers has been set at one year, which means a compulsory annual renewal (previously every two years); as noted, a maximum of four renewals are allowed, and each renewal requires a new LIMA.

The admission of TFW has become complex (Figure 9). In parallel, the time for LMIAs has increased significantly following the reforms of 2014 and reached on average 50 calendar days in 2015 (Table 1), in spite of a 10-day fast-track for certain groups (highest-paid; short duration; and certain occupations in shortage). Indeed, actual admissions are much lower than the numbers of those who passed the LMIA. In a 2013 survey of employers, more than half of those who did not proceed with the admission in spite of having obtained a positive LMIA (previously Labour Market Opinion, which was nevertheless provided for free at the time of the survey) mentioned long processing delays. This figure was particularly high (55%) among high-wage positions.

**Figure 7: The process for the admission of temporary labour migrants**



Source: OECD Secretariat.

**Refusals** for labour-related temporary migration are not rare; in 2014, 24% of LMIA-required applications were refused; refusal rates were half that for LMIA-exempt permits. 2015, which was an exceptional year, saw much lower refusals for both groups, however. At the same time, in 2015, almost 80% of all labour market impact assessments concerned returning employers; that is, employers who obtained at least 2 positive assessments within 3 consecutive calendar years. In a 2013 evaluation (CIC 2013), the top 3% of employers accounted for 53%

of positions requested over the four-year period from 2007 to 2010. Each of these employers requested at least 150 TFW positions.

**Table 1. Average number of calendar days for a decision on LMIA's, by calendar year**

2007	2008	2009	2010	2011	2012	2013	2014	2015
31	36	28	24	37	42	40	38	50

Source: Data provided by ESCD.

One way of accelerating the process for the many employers who do use it repeatedly and/or heavily while preventing abuse is to allow for employer accreditation (OECD 2014a). Accredited employers would then have to undergo stronger general scrutiny but would in exchange obtain quicker processing of individual cases. However, in contrast to other OECD countries with high labour migration, such as Australia and New Zealand, Canada does not have an accredited employer scheme. New Zealand is perhaps the OECD country which has gone furthest in this respect, providing not only privileged processing but also specific pathways for accredited employers (OECD 2014b). To obtain this status, employers have to demonstrate, among other things, that they make continuous efforts to train and employ New Zealanders. As part of the approval process, unions have an opportunity to comment on the application and the status of “accredited employer” must be renewed annually.

In summary, there has been considerable tightening of the admission of temporary foreign workers, in spite of the fact that this stream accounts only for a minority of work-related temporary admissions and has been relatively reactive to changes in economic conditions. The system is now quite complex and adds significant red tape, which could be reduced in particular for higher-paid occupations and for permit renewals. For those companies making heavy use of the programme, a specific trusted employer scheme could be considered to facilitate admission while strengthening monitoring and compliance.

### *Key challenges*

- Only a minority of temporary migrants with work rights pass through the labour market impact assessment (LMIA).
- The labour market assessment process is cumbersome and relatively opaque. It also involves co-operation between two departments.
- There is a four-year maximum duration for Temporary Foreign Workers earning below the provincial median wage. This is a somewhat arbitrary cut-off that is not related to actual shortages.
- In recent years, there has been a significant increase in processing times, and the resulting delays often prevent employers from proceeding with the hiring.
- Compared with other countries, costs are relatively high since a fee of 1,000 CAN\$ applies for the LMIA, regardless of the outcome.
- The assessment does not make any distinctions between high- and low-skilled workers and indeed tends to be more burdensome for the higher-skilled/higher-paid. However, compliance and possible negative labour market impact tend to be more of a challenge at the lower skills end.
- In contrast to practices in other countries, there is no “trusted employer” scheme.
- “Renewals” involve a repetition of the same procedure as for the admission of entirely new workers from abroad.

### **Possible directions for future policy development**

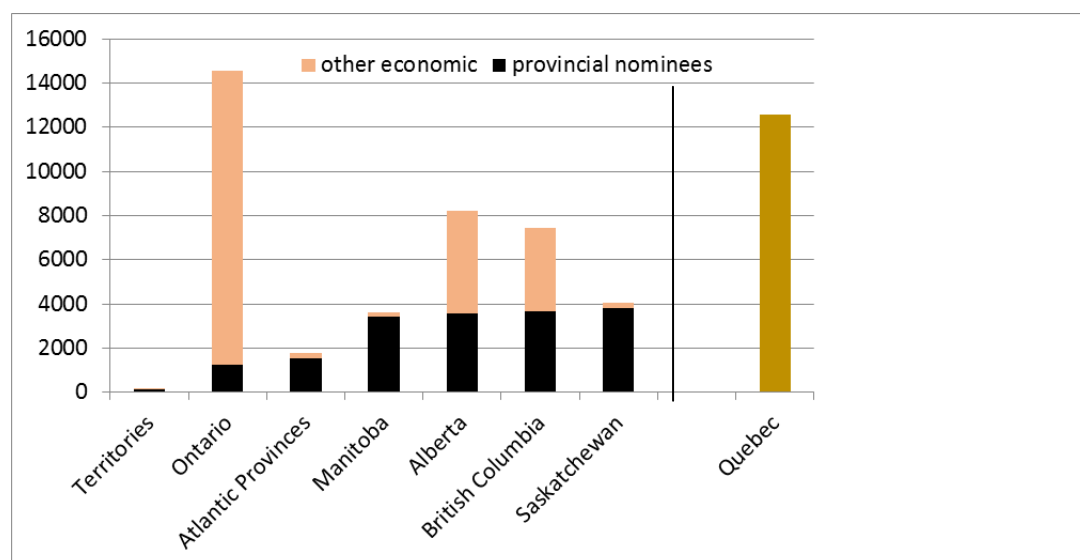
- ***Strengthen the differentiation between high- and low-skilled temporary workers in the labour market impact assessment, with less stringent criteria for the former.***
- ***Provide facilitations in the labour market impact assessment for the renewal of temporary permits.***
- ***Extend the four-year maximum on lesser-paid positions to five years to allow workers to gain the maximum number of points for transition.***
- ***Establish a trusted employer pathway with facilitations in access to temporary foreign workers.***
- ***Consider lowering the fee of 1000 CAN\$ for the labour market impact assessment.***
- ***As a counterpart to making the labour market impact assessment less bureaucratic and cheaper, enhance monitoring and compliance.***

#### Challenge 4: Keeping the balance between federal and provincial selection

A marked feature of the recent evolution of the Canadian immigration system has been the increasing weight of regional selection. Whereas in 2005, principal applicants accepted through regional selection (not including Quebec) represented merely 6.5% of all economic principal applicants, by 2015 their share had risen to approximately 26%. From the 1990s until the mid-2000s, all provinces except Nunavut and Quebec negotiated bilateral agreements with the Federal government in order to increase their role in selecting immigrants. The Provincial Nominee Programme (PNP) is the collection of all bilateral agreements between the federal government and the Provinces and Territories (PTs). Quebec plays a special role in this context. The Canada-Quebec Accord signed in 1991 allows Quebec to exclusively select its economic immigrants. The federal programmes thus do not apply to immigrants destined to Quebec, and individuals who wish to immigrate to Quebec must apply through the Quebec programmes. Consequently, Quebec is the only province in which two distinct modes of selection of immigrants (by the PT and by the federal government) do not coexist. Quebec has seen significant recent policy evolution, and its admission system differs in a number of important points from the federal system. These issues are discussed further in the background report.

Within the federal jurisdiction, a key question is whether the PNP and the federal programmes complement each other. In terms of geographic distribution, this is clearly the case (Figure 10). Indeed, whereas migration through the Federal Programmes has been largely oriented towards Ontario and in particular Toronto as well as the metropolitan area of Vancouver, provincial nominees (PNs) have landed in other parts of the country outside of the main metropolitan areas.

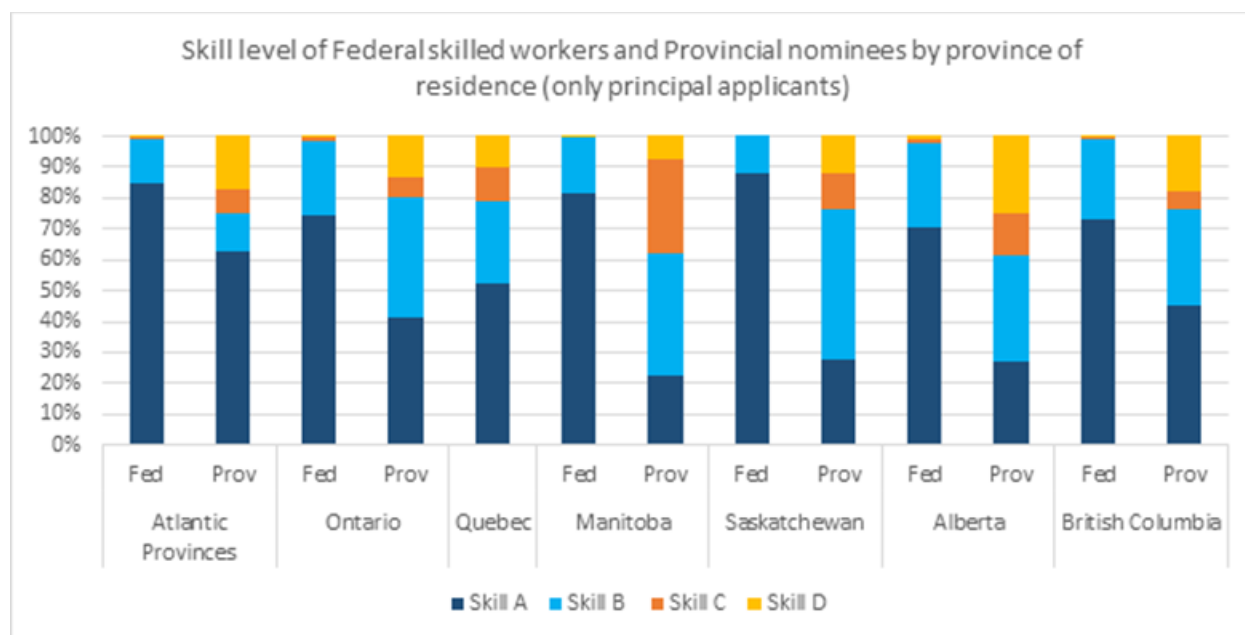
**Figure 10: Economic immigrants (principal applicants) who landed in Canada in 2013, by province and programme**



Source: OECD Secretariat calculations based on data from IRCC.

Also in terms of occupations, there is evidence that the PNP attracts a very different set of migrants than the Federal programmes (Figure 11). This is associated with the fact that in most PT, the percentage of PNs with a university degree is 25 to 40 percentage points lower than that of federal economic immigrants.

**Figure 11: Comparison of occupational skills levels for federal economic migrants and PN migrants, by PT, 2013**



Source: OECD Secretariat calculations based on data from IRCC.

Each PT designs its own programmes with specific criteria to select immigrants given the economic context, labour needs and overall policy objectives of the PT. There are currently more than 60 programme streams of the PNP, with large variation in the selection criteria across the different PTs. The respective PT evaluates the immigrant applications according to the selection criteria and issues a nomination certificate to the successful candidates. PTs are also responsible for programme integrity and evaluation.

Until recently, the federal government played practically no role in the selection of PNs. In 2009, the federal government implemented annual limits for PNP principal applicants by PT. The purpose of the caps is to manage the intake of applications in order to ensure that processing times and application backlogs do not grow uncontrollably. The caps are not determined by the relative labour market needs of the PTs, but rather take into account historical factors, such as how recent the programme is. In 2012, the predecessor of today's IRCC and provinces agreed to a minimum language standard for lesser-skilled (NOC C and D) PNP applicants. PTs were also asked to more clearly gear their programmes towards economic immigrants, and leave family migration to the Federal Family Class programmes. In fact, although the PNs are economic immigrants, some streams attributed substantial weight to family connections as these increase the likelihood that PNs remain in the province.

An OECD consultation with 9 out of 11 Provinces and Territories found, among other aspects, that Provincial nominee programmes (PNP) are seen as key to managing and responding to local needs. Most programmes focus on skilled workers, with adaptability - notably prior links to the province - as a core factor. In recent years, more than half of the PNs worked as TFWs prior to being nominated by a province. In most provinces, both migrants themselves and their current or prospective employers are approaching provinces for nomination.

While most PNP streams operate outside of the Express Entry system, a portion of their nominations are processed through Express Entry streams. However, most PTs see their Express Entry streams for PNP as a



complement but not a substitute for their regular streams which are deemed as an important tool for regional development and marketing. Indeed, up to now, the take-up has been limited: less than 4000 people were invited to apply under PT Express Entry streams in 2015; almost 40% of which were nominated by a single province (British Columbia). However, part of the explanation for the slower take-up may be that many PTs needed time to build capacity to make use of the additional PNP nomination spaces available to them in Express Entry. Most PTs have indicated that they intend to invite more candidates under Express Entry.

Canada is not the only OECD settlement country that has seen a recent regionalisation of its immigration system. Australia has had a similar tendency. One of the main differences between the Australian regional initiatives and the Canadian PNP is the fact that in Australia, all migrants which are nominated by the regions pass through the Federal Skills Select system, which is the Australian equivalent of Express Entry. As a result, they must meet the same skills requirements as other migrants.

In terms of **labour market integration**, there are large differences in the shares of immigrants who declare employment income across provinces, both for federally and provincially selected immigrants, with the former generally having lower outcomes, both initially and also five years after arrival. The exception are the Atlantic Provinces, where employment rates for PN are below those of federally-selected migrants.

Considering the immigrants arriving 2005 to 2010, 3 years after arrival, the shares of immigrants declaring employment income are similar to those one year after arrival and above those of federally-selected migrants in most provinces. On the basis of this, short-to medium run, there is thus no evidence of worse outcomes of PNs. Whether the outcomes of PNs in the longer run will deteriorate is an unanswered question. This is a particularly relevant question since the number of immigrants landing in Canada through the PNP has strongly increased over the last 10 years. What is more, with the recent expansion the mix of migrants may have changed as well.

Although PTs select their immigrants, they are free to live in any of the PTs. Provincial nominees obtain permanent residency upon admission and as such, they enjoy free mobility in Canada. PNs are selected based on the criteria of the nominating province. When PNs decide to live outside of the nominating PT, this is not only an issue for the nominating province, but also for the receiving province which did not take part in the original selection. In fact, the PNs are chosen to address labour market needs with criteria defined by the nominating province. The results in the previous section show that the characteristics of PNs are quite different from those of federal immigrants, and differ across PTs. The mobility of federal immigrants does not raise this issue, given that the criteria for the selection of federal immigrants are independent of the province of destination. The extent to which receiving PNs from other PTs is an issue for the receiving PTs depends on the size of the inflows of PNs; on how the characteristics of these PNs differ from those of the immigrants living in the PT; and on the labour market integration of the PNs in the new destination PT.

Globally, the **provincial retention rates** one year after landing are higher for provincial than for federal immigrants who landed in the same provinces. The only exception is the Atlantic Provinces, which have lower retention rates of provincially than federally selected immigrants, and lower retention rates overall. The retention rate is 53% for PNs and 71% for federally selected immigrants. In terms of labour market outcomes, leavers and stayers are also surprisingly similar. The percentage of immigrants declaring employment income one year after landing is virtually the same for PNs residing in the province of nomination or elsewhere. The only exception is again for the Atlantic Provinces where immigrants who remain in the nominating provinces are more likely to declare employment income one year after landing than those who move (72% compared with 51%).



*In summary*, the PNP has by and large been successful in attracting and retaining immigrants to regions outside of the main traditional immigration destinations. The only exception is the Atlantic Provinces which nevertheless struggle to retain immigrants independently of whether they are federally or provincially selected. Globally, the labour market outcomes of provincial immigrants compare positively to those of the federal economic immigrants in the first years in Canada, although evidence points to relatively less economic progression over time for provincial immigrants. Given how recent these immigration programmes are, only close monitoring will allow evaluating their success.

#### *Key challenges*

- There is a **wide variation of provincial nominee programmes**, and **no minimum standards exist** apart from the requirement of basic knowledge of one of Canada's official languages.
- Migrants passing through the provincial selection system tend to have **lower qualifications and skills**.
- Because of the relatively recent nature of the expansion of the provincially-selected migration, **little is known about the long-term outcomes of migrants admitted under the Provincial Nominee Programmes (PNP)**.

#### **Possible directions for future policy development**

- ***Continue to monitor closely the longer-term outcomes of provincially-selected migrants.***
- ***Consider imposing minimum education levels for the PNP, similar to those for Express Entry.***
- ***Ensure that future growth of the PNP comes predominantly – if not exclusively - from the Express Entry stream.***

## Challenge 5: Getting the levels right

To manage how many permanent migrants it will admit annually, Canada sets an overall immigration target range each year, along with corresponding target levels for each immigration class and the programmes within those classes. The Minister presents their recommendation for the following year's immigration levels to the Cabinet, which approves the plan that is then included as part of the *Annual Report to Parliament on Immigration*. The tabling of this report in Parliament is mandated by the *Immigration and Refugee Protection Act* (IRPA) and occurs each year on or before 1 November. The annual immigration target range for 2016 is 280,000 to 305,000 permanent residents.

The 2002 *Immigration and Refugee Protection Act* (IRPA) lists a number of objectives which guide levels planning and Canada's immigration program more generally. These underline the importance of migrants for the Canadian economy, the necessity of family reunification and Canada's international legal commitments for humanitarian causes. Immigration levels under each program are determined during the annual immigration level planning process. In addition to balancing Canada's immigration objectives, the planning considers the government's priorities and commitments, inputs from other government departments and consultations with provinces, territories and public stakeholders, short and long-term economic conditions and labour market needs, as well as the capacity of the economy and of communities before setting levels for each immigrant class and programme.

After planning levels are announced, IRCC sets out operational targets to match those goals. These operational targets are based on the fact that not all applications will be approved, that all those approved may not arrive in the same year, nor all those who are granted residence will ultimately choose to come to Canada (visa wastage). During the year, IRCC monitors the number of arrivals and transitions from temporary to permanent residence to make sure the numbers admitted accord with the Government's approved levels plan. The Express Entry system helps to monitor the processing of a significant portion of applications under the economic class to be handled within a given year while preventing application backlogs from accumulating.

Similar targets exist also in other OECD countries, notably Australia and New Zealand. They are generally set to respond to longer-term objectives, either population-related and/or longer-term economic needs. Communicating on these planning numbers is also intended as a way of showing that migration policy is non-discriminatory to those candidates satisfying the criteria. The numbers also signal to the domestic population that the government is in control of the situation and that fears about unlimited numbers are unfounded. While target numbers or ranges are not binding for the immigration authorities, a substantial deviation from these would generally be seen as an immigration management failure.

In a supply-driven system, target numbers for permanent migrants tend to be a precautionary tool to avoid unrestricted inflows of migrants that obtain permanent residence upon entry into the country. In a demand-driven system, however, target numbers can be a challenge since the numbers admitted largely depend on labour needs and employer willingness to hire migrants to meet such needs. Canada now has in practice basically an uncapped permanent migration stream for those with a job offer, on top of which comes a varying supply-driven component. In a way, this new system moves Canada more towards the systems in European OECD countries such as Germany or France, where admission is almost exclusively supply driven. These countries do not have any levels planning.

More generally, determining in advance for the coming year the likely level of actual labour needs is difficult. At the same time, Canada has large regional diversity in labour needs but no regional skills forecasting in place, so this is virtually impossible.

Over the past decade, the Canadian migration system has become increasingly demand-driven. Many economic migrants now have a job offer upon admission for permanent residence, and this process has been further reinforced through Express Entry and the bonus points which it provides for a job offer. This has potentially counter-cyclical effects: under favourable labour market conditions, and thus stronger labour demand, it tends to be more difficult to enter into Canada than under less favourable conditions.

An alternative approach would be to move to a multi-year targeting, to obtain more flexibility in the admission numbers if the variation were of a short-term cyclical nature.

#### *Key challenges*

- Recent changes in the labour migration system imply more demand-driven migration and thus a closer link between economic conditions and admission of migrants.
- Labour market information at the regional level is not consistently available, making labour needs particularly difficult to predict. In the context of increasing demand-driven migration, this also makes migration levels planning difficult.

#### *Possible directions for future policy development*

- ***Collect more labour market information at a PT level and feed this into labour migration planning and monitoring.***
- ***In light of increasing onshore recruitment, provide more flexibility in the admission levels, including through multi-year planning.***

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