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The role of migrant labour supply in the Canadian labour market

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Executive summary

One of the major objectives of the Immigration and Refugee Protection Act (IRPA) is to support Canada's economy and competitiveness. Canada's immigration program does this by attracting new immigrants, helping them integrate into the labour market and ensuring that success is attainable for all newcomers. Current demographic trends indicate that these newcomers will play an increasingly important part in the labour market. This is underscored by the twin demographic challenges on the horizon: the first being the retirement of a large number of baby boomers and second, a limited number of new workers who are coming from domestic sources. The central questions addressed in this paper, then, are how will the Canadian labour market evolve over the coming decade and what will be the role of the immigration program in this challenging environment?

Immigrants have been an important part of labour supply over the past two decades and they will continue to be an important source of new workers, but the role of the Canadian-born population must not be discounted. This paper endeavors to place the contribution of immigration programs within the framework of the overall Canadian labour market. It comes as no surprise that immigrants are making up a larger proportion of population and labour force growth given the changes in demographics evolving in Canada. Historical data show that gains in the labour force originating from the Canadian-born population far outweigh gains attributed to immigration and this trend is expected to continue in the future.

New permanent residents come to this country for a number of primary reasons (including economic, to reunite with family or to seek refuge), but irrespective of the primary reason for coming to Canada, a large share of permanent residents from every immigration category are destined to the workforce. But, labour-market participation and outcomes can vary greatly by immigration category, time spent in Canada after landing, family choices, and other socio-economic characteristics.

In addition to permanent residents who arrive, there are foreign nationals present on a temporary basis who are issued work permits and are legally able to participate in the Canadian labour market. The primary source of these foreign nationals is the temporary foreign worker program; however, other foreign nationals (including foreign students and refugee claimants) may also apply for and receive work permits while in Canada. The impact of these foreign nationals on Canada's labour market is designed to be "temporary" in nature and, for the foreign worker program; it is also designed to respond to challenges of globalization, increased mobility of the labour force and the needs of employers.

This paper concludes that Canadian immigration programs alone cannot address the major challenges faced by the Canadian labour market. However, that being said, immigration can prove to be an invaluable tool for dealing with shortages in specific occupations and regions through the admission of permanent residents from different classes and foreign nationals with temporary work permits.

Given the dynamic nature of the Canadian labour market, it is essential that Canadian immigration programs provide sufficient flexibility to respond to the needs of Canada's labour market today and in the future. This is not only necessary to maximize the benefits to the Canadian economy but also for the integration of new immigrants coming to Canada.

1. Introduction

The purpose of this paper is to provide some background information, future expectations and raise some important issues to help define the role of Canada's Immigration Program in the context of Canada's labour market.

One of the central goals of Canada's immigration program is to promote economic development through labour-market participation. The expectation is that immigrants and workers who are in Canada temporarily will play a vital role given the twin demographic challenges on the horizon: the first being the retirement of a large number of baby boomers and second, a limited number of new participants who are coming from domestic sources. The central questions addressed in this paper, then, are how will the Canadian labour market evolve over the coming decade and what will be the role of the immigration program in this challenging environment?[1]

Despite significant employment losses during the most recent slowdown of late-2008 and 2009, long-term forecasts continue to predict tightening in the Canadian labour market. However, what is less well known is what kind of jobs will be created (by industrial sector and occupation) and who will fill those jobs. An examination of the relationship between labour demand and supply can shed light on possible labour-market pressures and how the immigration program may be able to play a role in alleviating those strains. It is also important to consider alternative possibilities or risks to the outlook in order to make immigration policy considerations more robust vis-à-vis Canada's future labour-market development.

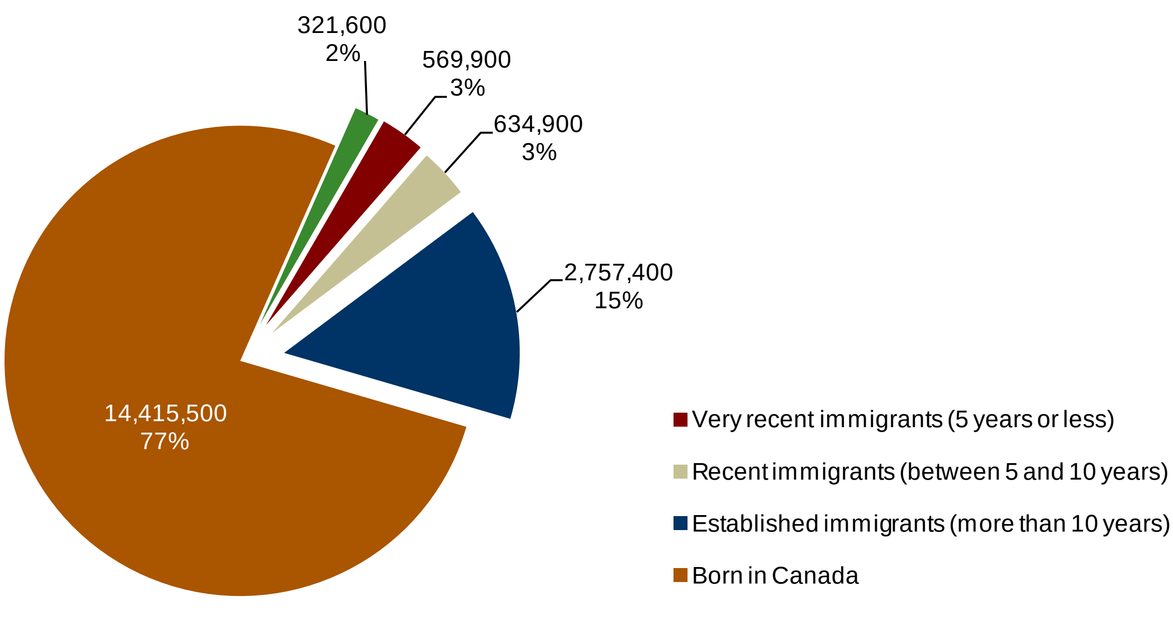
[1] In this analysis, migrant labour supply is limited to 1st generation immigrants and foreign nationals working in Canada temporarily with a valid work visa. Looking at the impact of a broader definition of migrant labour supply (2nd and subsequent generations) is beyond the scope of this analysis.

2. The Canadian labour market: setting the context

2.1. Composition of the Canadian labour force

The Canadian labour force (as defined by Statistics Canada) consists of the civilian non-institutional population 15 years of age and over who are employed or unemployed. Employed individuals are those who have a job or a business and the unemployed are without work, are available to work, and are actively seeking work. According to the Labour Force Survey (LFS), the total size of the Canadian labour force was 18.7 million in 2011. Canadian-born individuals accounted for 14.4 million (77.1%) of the total and immigrants accounted for close to 4 million (21.2%). The remaining 300,000 (1.7%) are "non-landed immigrants" who are in the labour force. The non-landed immigrant number includes temporary foreign workers, foreign students, refugee claimants who have valid work permits and others not included in the Canadian-born or landed immigrant categories.[2] Figure 1 displays the composition of the Canadian labour force for the Canadian-born and immigrant populations. Within the immigrant population, the majority of labour force participants are established immigrants – those who have been landed for more than 10 years. Very recent (landed for 5 years or less) and recent immigrants (landed between 5 and 10 years) make up considerably smaller proportions.

Figure 1: Composition of the Canadian labour force, 2011



Source: Labour Force Survey, 2011.

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[2] Within the LFS, the "non-landed immigrant" population is calculated as the residual after Canadian-born and landed immigrants are calculated. Therefore in addition to foreign nationals in Canada on a temporary basis, the calculated number also includes Canadian citizens who were born abroad.

Table 1: Labour force composition by age and immigrant status, 2011

	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65+
Landed Immigrants	2.2%	5.1%	8.4%	9.9%	11.7%	14.1%	14.2%	12.5%	10.1%	7.4%	4.3%
Very Recent	4.5%	7.2%	17.8%	20.9%	18.6%	13.5%	8.9%	4.6%	2.5%	0.9%	0.5%
Recent	4.7%	7.8%	10.4%	13.4%	18.6%	18.9%	12.6%	7.2%	3.7%	1.6%	1.1%
Established	1.1%	4.1%	6.0%	6.8%	8.7%	13.1%	15.7%	15.4%	13.2%	10.1%	5.9%
Born in Canada	6.9%	10.7%	11.1%	10.6%	9.8%	10.3%	11.9%	12.0%	8.8%	5.0%	2.6%
Total	**5.8%**	**9.6%**	**10.7%**	**10.6%**	**10.3%**	**11.1%**	**12.4%**	**12.0%**	**9.0%**	**5.5%**	**3.0%**

Source: Labour Force Survey, 2011

2.2. Recent labour market conditions

The world economic challenges over the past several years have had a detrimental impact on the Canadian economy and the labour market. At the outset of the global slowdown, many forecasters correctly argued that Canada was in a solid position to weather the developing challenges; however, structural performance issues in the United States, our major trading partner, have nonetheless dampened Canada's economic performance. This has had commensurate impacts on the domestic labour market.

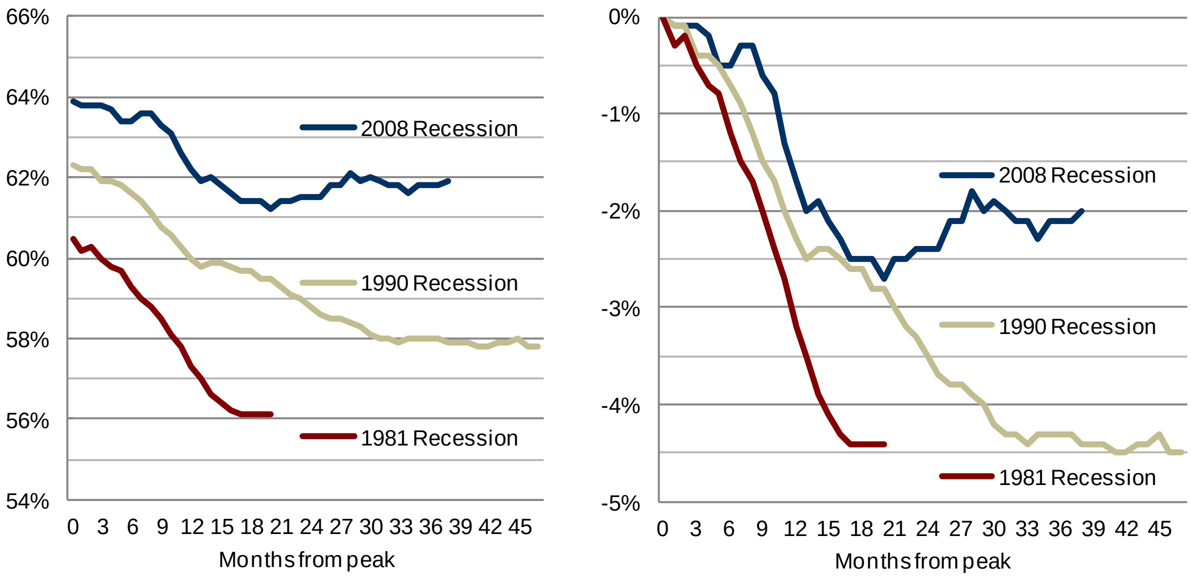
Examining the previous two recessions Canada has faced is instructive. Previous recessions – specifically starting in 1981 and 1990 – exhibited differences in labour-market performance entering each downturn and differences during the respective recovery periods. These two historical examples can help us understand the complexity of a recession in terms of depth, duration, and recovery.

2.3. Comparison to previous recessions - employment and unemployment rates

The latest employment and unemployment rates from the LFS indicate that this slowdown was not as severe as the 1981 and 1990 recessions. However, this kind of analysis is highly reliant on the point chosen as the starting date of the recessions. For this analysis, the pre-recession peaks for employment rates and the pre-recession troughs for unemployment rates are used. As a result, February 2008 is the peak for the employment rate at 63.9% and January 2008 is the trough for the unemployment rate at 5.8%.

Figure 2: Employment rates - Canada, monthly

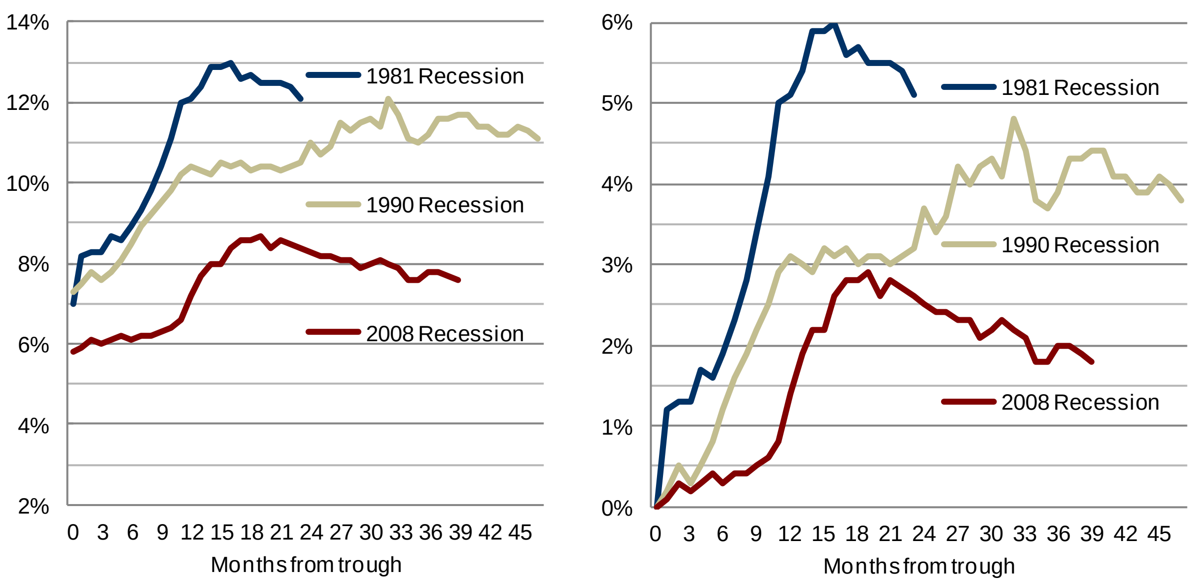
Employment rate (level) *Difference from pre-recession peak (level)*



Source: Labour Force Survey

Figure 3: Unemployment rates - Canada, monthly

Unemployment rate (level) *Difference from pre-recession trough (level)*



Source: Labour Force Survey

During the 1981 recession, a quick deterioration in the labour market led to a simultaneous rise in the unemployment rate and a fall in the employment rate. As shown in Figures 2 and 3, the unemployment rate rose sharply by 5% and the employment rate declined substantially by 3% during the first 12 months of the 1981 recession. The 12-month period which followed was considerably better and a recovery in the Canadian labour market was well rooted 24 months after the start of the recession.

The situation encountered during the 1990s recession was notably different and, while the initial impact on the labour market was not as severe as the 1981 recession, many characterized the mid-1990s as a "jobless" recovery. This is evident in both the unemployment and employment rates which after 4 years from the start of the 1990s slump had not returned to pre-recessionary levels.

As illustrated by Figures 2 and 3, labour-market indicators point to relatively milder impacts during the 2008/09 recession. The rise in the unemployment rate and the decline in the employment rate have not been as harsh as in the previous two recessions. Further, the overall level of both the employment and unemployment rates indicate superior labour-market conditions entering the downturn as compared to the previous two recessions.

Despite the relatively better labour market situation during the most recent economic downturn, recessions have different impacts on regions, sectors and groups participating in the labour market. Immigrants have often been identified as a vulnerable group that is more severely impacted by downturns and experiences significant difficulty re-entering employment after layoffs.[3] This is an important consideration given current economic circumstances.

It appears that longer-term labour market requirements will be largely unaffected by the recession in 2008/09. Instead, the underlying trends driven by population aging (including slowing labour force growth and emerging skill shortages in some occupations and regions) will continue to be the key factor impacting labour supply in the long term.

2.4. The evolution of the Canadian labour market since the 1980s

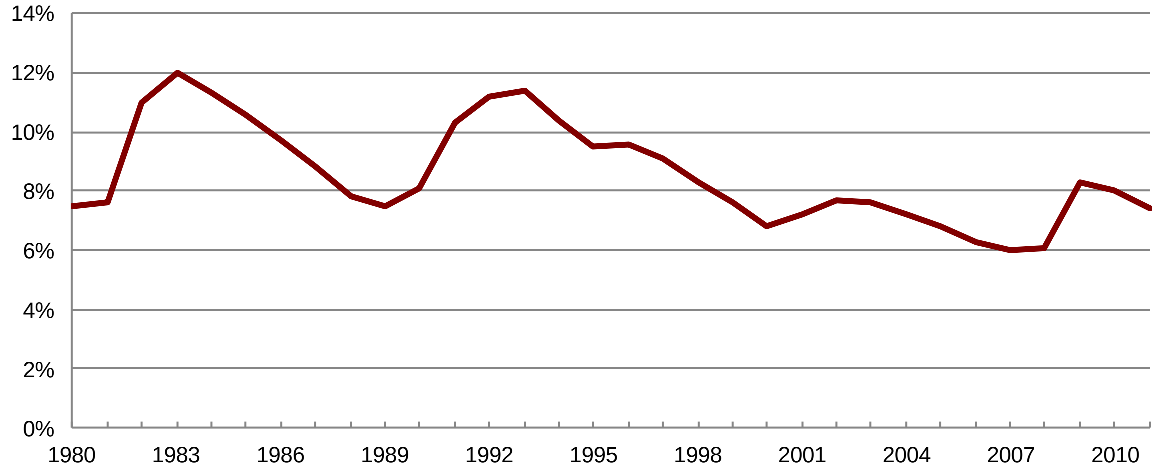
The recent evolution of the Canadian labour market can be divided into three distinct sub-periods. The first period, from the end of the 1980s to the early 1990s, was characterized by weak conditions as a result of an economic downturn. This was a period when monetary policy was deliberately slowing the economy to reduce inflationary pressures. These conditions led to a decline in employment growth, with overall job losses in 1991. The unemployment rate increased substantially to reach an average annual rate of 11.4% by 1993.

The second period, from 1993 to the late 1990s, was characterized by a slow recovery from the early 1990s downturn. Job creation was slow and the participation rate depressed. Job creation finally picked up and the unemployment rate declined to reach 6.8% by 2000.

Finally, at the beginning of the 2000s, the combination of a strong labour market and a high participation rate placed the demand and supply of labour in relative balance and, as a result, the unemployment rate hovered slightly above 7% for the first half of the decade. Some tightening took place during in the final half of the decade pushing the unemployment rate down to 6% before another recession took root in 2009.

[3] Aydemir (2003) "Effects of Business Cycles on the Labour Market Assimilation of Immigrants". www.statcan.gc.ca/pub/11f0019m/11f0019m2003203-eng.pdf

Figure 4: Canadian unemployment rate, 1980-2011

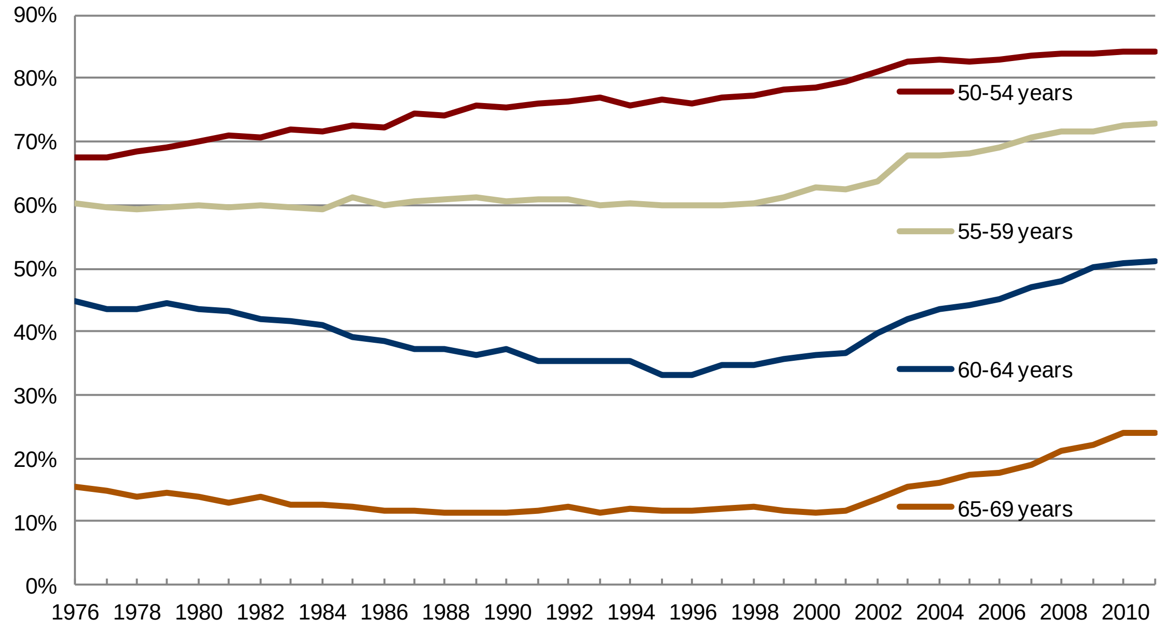


Source: Labour Force Survey

Focusing more closely on the final period, excluding the recession in 2008/9, employment growth averaged around 2% while the labour force expanded at a slower rate – 1.8% annually. Consequently, the unemployment rate declined for much of the 2000s and this is likely to be a continuing trend in the coming years as many baby boomers retire from the labour force, leading to relatively weaker labour force growth.

Increases in the number of retirements, stemming from a larger number of baby boomers reaching retirement age, will occur during the next 10 years. However, labour-market behaviour can be hard to predict and this has become increasingly apparent over the past 15 years by examining the upward movements in older workers participation rates described in Figure 5. Previous forecasts had anticipated that the Canadian labour market would be in the midst of greater numbers of retirements during the first decade of the 2000s, but forecasters have had a hard time capturing the upward movements in older worker participation rates.

Figure 5: Older worker participation rates, 1976-2011



Source: Labour Force Survey

3. How many job openings in the future?[4]

Historically, economic growth has been the key driver behind labour requirements in Canada. However, this is not expected to be the case in the coming years. Instead, job openings due to retirements will be the major driver behind labour demand in the future, far outpacing the number of new jobs created by economic expansion.

Projections from Human Resources and Skills Development Canada (HRSDC) indicate that roughly 6.4 million jobs will open up in the coming decade. Roughly 70% of these jobs will be due to replacement demand (mainly the result of retirements[5], deaths and emigration), with the other 30% coming from expansion demand (new labour requirements as a result of increased economic activity). The main factor leading to this trend is related to demographic change. Slowing growth in overall population expansion and the ageing of the population are beginning to, and will continue to, have a dampening effect on labour force growth which will also affect employment requirements.

To satisfy replacement demand, there will be a need for approximately 4.4 million jobs in the coming decade. The numbers retiring from the labour market are expected to ramp-up steadily from roughly 300,000 in 2010 to 415,000 by 2020 – resulting in 3.7 million positions vacated as a result of retirements. An additional 700,000 positions will need to be filled due to deaths prior to retirement and emigration.

Looking at expansion demand, 2.0 million new positions are expected to be created in the Canadian labour market as a result of new economic activity over the next ten years, even with average annual growth of employment in the 1% range. The strongest growth will come from jobs classified in Skill Level A (1.6%), followed by positions classified as Skill Level B (1.2%) and management positions (1.1%).[6] The growth pattern expected to evolve by skill level exhibits the characteristics of a knowledge-based economy with the strongest growth coming from positions which typically require higher levels of education (Skill Level A, B and Management) as opposed to jobs classified in the lower skill levels (Skill Level C, D). Two-thirds of all job openings will require postsecondary education – including university, college or apprenticeship training.

In terms of industry employment growth, there is expected to be a relative balance between goods and service-producing industries. However there is substantial variance within these two broad groupings. Industries with the strongest growth include mining and fuels, professional, scientific and technical services, transportation equipment and health care services. In contrast, employment growth is expected to be well below average for public administration, educational services and most manufacturing industries. It is important to note that job opportunities will

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[4] Labour demand and supply projections are based on "Looking-Ahead: A 10-Year Outlook for the Canadian Labour Market" and other outlooks produced by the Canadian Occupational Projection System (COPS). These outlooks are produced by the Policy Research Directorate within the Strategic Policy and Research Branch at Human Resources and Skills Development Canada.

[5] Retirement is defined as a labour market participant (aged 50 and over) who exits the labour force completely and permanently.

[6] The skill levels used in this analysis correspond to the National Occupational Classification (NOC) system. The levels are:
Management – Various educational profiles
Skill Level A – Usually require university
Skill Level B – Usually require college or apprenticeship
Skill Level C – Usually require secondary school
Skill Level D – Usually require on-the-job training.

exist in every part of Canada. However, labour requirements vary considerably by region and this is expected to continue in the future. Differences in demographic profiles, population growth and industrial composition weigh heavily on the number and types of jobs which will be required regionally.

As noted above, the impact of demographic change (slowing population growth and population ageing) in the coming years has a significant impact on the employment outlook. While the labour market will be impacted by weaker demand from slowing population growth, an increase in the number of retirements will drive the need for replacement workers, which becomes the main driver of employment demand in the future. In addition, assumptions regarding labour productivity also play an important role for labour-market requirements in the forecast. In this forecast, labour productivity[7] is expected to increase from the rate recorded in the first decade of the 2000s – this is consistent with various productivity enhancing strategies incorporated by a number of industries in the face of increased global competition and weaker domestic labour force expansion.

The outlook outlined above provides a baseline view of how many jobs will need to be filled in Canada during the coming decade. Given the current economic situation in Canada (strength and stability of the recovery, a strong employment rebound and a gradual decline in the unemployment rate) and the need for a more highly educated and skilled workforce in the future suggests a relatively positive picture for new highly educated labour-market entrants – including immigrants.

However, as is the case with all outlooks, there are risks that may significantly alter the outlook. Business cycles have a significant impact on the overall level of growth in the economy and certainly have an impact on future labour supply and demand. Research has shown that the economic outcomes of immigrants are especially hard hit during recessions, as is the case for new labour-market participants who are Canadian-born.[8] However, recent immigrants seem to have the weakest economic outcomes despite having very high levels of educational attainment and, consequently, future fluctuations in the business cycle may be particularly detrimental to this group.

[7] Labour productivity is an important factor to consider when looking at labour market outlooks. To achieve a certain level of output in an economy, labour and capital are utilized to achieve required levels of production. Gains in labour productivity would enable an economy to reach the same level of output with fewer hours worked or, described in another way, increase the productive capacity of the economy given the same number of hours worked. This has repercussions for employment requirements in the Canadian economy.

[8] Aydemir, 2003.

4. Who will fill the job openings?

As discussed earlier, approximately 6.4 million jobs will be available over the coming decade – through both job creation due to economic expansion and the replacement of existing jobs due to retirement. These jobs will be filled by Canadian-born labour-market participants (both new entrants and those re-entering the job market), new immigrants and foreign nationals in Canada working on a temporary basis. Population ageing will have a significant impact on the labour supply in Canada as larger numbers of older people leave the labour force. The proportion of older people (aged 55 and over) in the population will increase and this age group has traditionally displayed the lowest participation rates. As a result, the labour force is projected to increase by an average of 0.8% per year during the next ten years, representing half of the growth rate (1.6%) observed during the first decade of the 2000s.

Students coming out of Canada's education system (i.e. school leavers), with educational attainment ranging from an incomplete high school certificate to a PhD, will remain the primary source of new labour supply, representing approximately 4.7 million new labour-market entrants over the next decade. These school leavers will account for four fifths of the projected total new labour supply. Overall, close to 70% of school leavers over the next ten years will have a college or university education, up from 65% in the previous ten years. It is important to note that the number of new immigrants joining Canada's labour force will be much smaller than the inflow of school leavers, representing roughly 1.1 million entrants over the same time period.

The number of immigrants entering the labour market is dependent on several immigration related factors including: changes to immigration levels as well as the age composition, source country, and category mix of new immigrants. In addition, the overall performance of the Canadian economy, especially relative to other immigrant-receiving countries, can lead to movements in labour supply.

4.1. Future expectations - putting the role of immigration in perspective

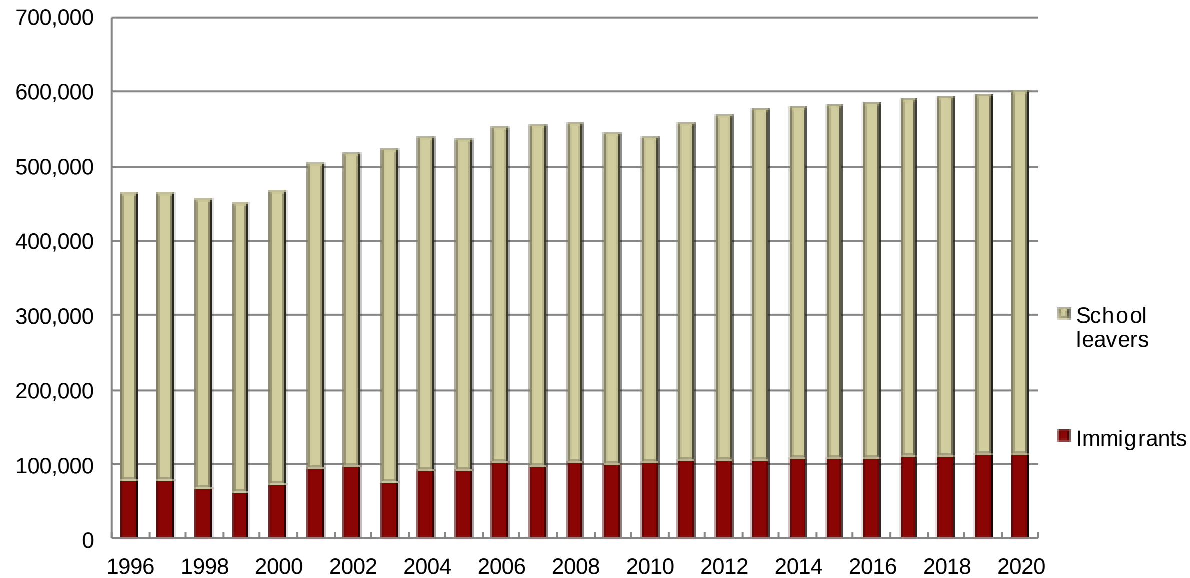
Immigrants have been an important part of labour supply over the past two decades and they will continue to be an important source of new labour supply. One must, however, put the immigrant contribution into context. It comes as no surprise that immigrants are making up a larger proportion of population and labour force growth given the changes in demographics evolving in Canada. However, the role of the Canadian-born population must not be discounted. Historical data from the Census show that gains in the labour force originating from the Canadian-born population far outweigh gains attributed to immigration and this trend is expected to continue in the future.[9]

Some researchers estimate that sometime during this decade immigrants will account for 100% of net labour force growth. This estimate is sometimes misinterpreted to mean that young Canadian-born individuals will make no contribution to the labour force. While recent immigrants will continue to comprise a significant portion (and perhaps an increasing proportion) of new entrants, the majority of new entrants will be made up of school leavers for the foreseeable future – at roughly four Canadian school leavers to one immigrant. Figure 6 gives an historical perspective and a forecast of the number of new labour-market entrants – school leavers and immigrants – based on COPS projections. Note that the number for school leavers shown in Figure 6 includes students coming out of the education system with educational

[9] See Appendix A – The Importance of Immigration to Labour Force Growth using 2006 Census data.

attainment ranging from an incomplete high school certificate to a PhD. The number also includes landed immigrants who are exiting the educational system but does not include foreign students.

Figure 6: New labour-market entrants: school leavers and immigrants, 1996-2020



Source: Canadian Occupational Projection System (COPS)

Although it is difficult to pinpoint the exact year, it is also expected that at some point during the next decade or so, the number of retirements will exceed the number of new Canadian labour market entrants from the educational system. The precise timing is hard to predict particularly given fluctuations in retirement rates attributable to factors such as labour-market behaviour linked to overall economic growth and the wealth of potential retirees.

4.2. Permanent residents entering the labour force

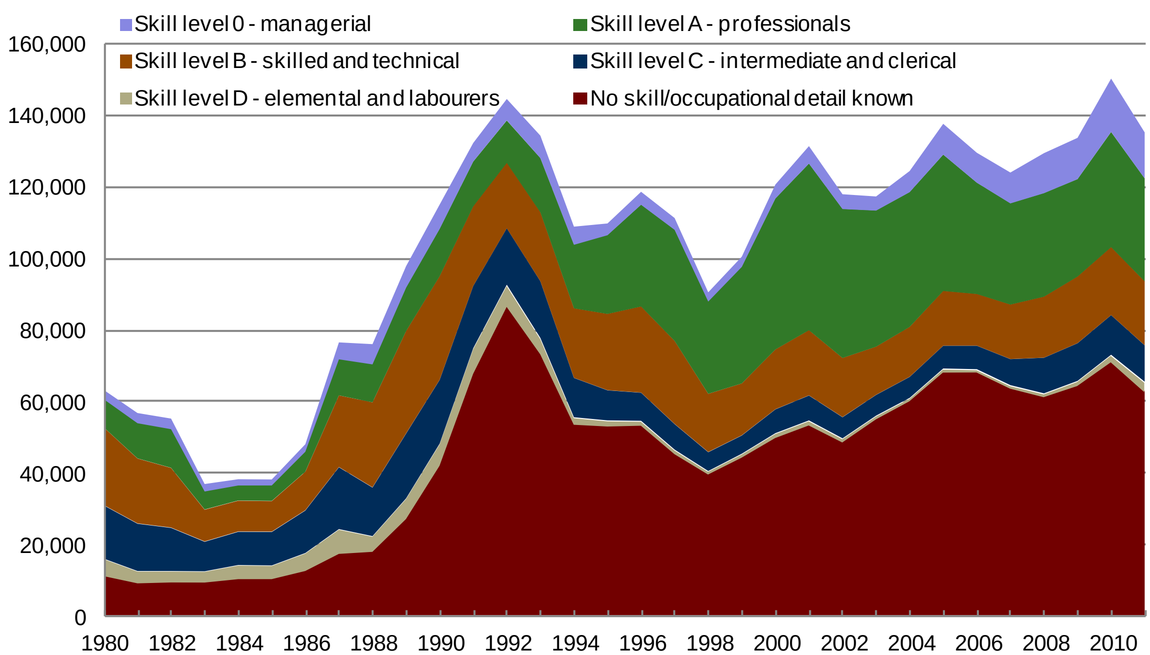
Over the past ten years, the immigration rate (gross immigration as a share of total Canadian population) has remained in the range of 0.7% to 0.8%. Accordingly, the number of immigrants has ranged between 220,000 and 280,000 people. For the purposes of this analysis, the immigration rate is projected to remain relatively stable over the next ten years – which will result in roughly 2.5 million immigrants arriving in Canada.

However, not all of these immigrants will be destined to the labour force. Firstly, some immigrants do not remain in Canada after landing. Return and onward migration rates of new immigrants, which depend on a number of factors including economic conditions at time of landing in Canada and economic and geopolitical conditions in their home country, have varied between 13% and 19% for different landing cohorts. Secondly, a share of the new immigrants arriving in Canada are children who are not expected to enter the workforce for a number of years, or are of retirement age and will not participate in the Canadian labour market at all. Lastly, the labour force participation rate of immigrants, especially for females, is lower than that of the Canadian-born population. Given the projected inflow of new permanent residents and the realities of historical trends in participation, it is expected that the projected labour supply coming from new permanent residents will be roughly 1 million over the next decade.

Figure 7 illustrates an historical perspective of the number of new immigrants intending to work at time of landing by occupational skill level. Data from the Permanent Resident Data System (PRDS) indicate that over the past 10 years, an annual average of roughly 130,000 permanent residents have been destined for the job market in a wide range of occupational skill levels.[10] Roughly half of the permanent residents identify an intended occupational skill level of which the majority (80%-90%) are occupations within the higher skill levels (Management, Skill Level A, and B). Also of note is the large share of permanent residents who state that they intend to work but do not identify a specific occupation/skill level (roughly 50% of the total). Generally, these immigrants have recently completed school and are new to the labour market, or have landed under the family class or as refugees - classes which do not require occupational coding.

New permanent residents who identify an intended occupation can be classified into the different skill levels discussed above. It becomes quite apparent from the recent trends of intended skill levels that new permanent residents are well positioned (at least in terms of occupational match) to fill jobs in higher skilled occupations (Skill Level A) which is expected to be the fastest growing segment of the Canadian labour market in the coming decade.

Figure 7: Landings of permanent residents intending to work by skill level, 1980-2011



Source: *Facts and Figures*

Irrespective of the primary reason for coming to Canada, a large share of permanent residents from every immigration category are destined to the workforce; however, the propensity to enter the labour market can vary greatly by category, time spent in Canada after landing, family choices and other socio-economic characteristics. Not surprisingly, points-selected permanent residents

[10] Note that data from the PRDS identifies immigrants "intending to work" upon arrival in Canada. However, these figures can be substantially different as compared to figures reported in the COPS forecast. The PRDS is derived from administrative data and the "intention to work" may change over time or is open to misinterpretation. In addition, the COPS framework looks at the non-student population and therefore excludes individuals who are employed while studying.

(Federal Skilled Worker principal applicants) have traditionally had the highest propensity to enter the job market. These permanent residents are assessed on various human capital characteristics which facilitate participation in the labour market and lay the foundation for becoming economically established in Canada.[11] However, more recent data also suggest very high labour-market attachment for Provincial Nominee principal applicants.[12] Other admission categories (especially those related to family reunification and humanitarian efforts) have weaker labour-market attachment reflecting the different motivations for coming to Canada.

It is important to note, as is the case with overall economic conditions, labour supply (and demand) will vary across all regions of the country. This is the result of many factors including; the demographic profile of a region, the presence of educational/training facilities and the ability of different regions to attract and retain new workers. Within this context, there is a significant role for immigration now and in the future.[13] Labour mobility within different geographical regions for immigrant-born and Canadian-born workers is also a key issue to investigate.[14] Further, the willingness of immigrants and Canadian-born relocate to regions which their specific skills are required will likely become a more important issue to consider of the baby boomers retire and localized labour-market pressures become more common.

4.3. Recent policy improvements/programs tied to the Canadian labour market

Since the implementation of *IRPA* (*Immigration and Refugee Protection Act*) in 2002, some key programs and policies have been developed and refined in order to be more flexible and responsive to changing labour needs in Canada. The improvements are designed to attract new immigrants, help them integrate more quickly into Canada's labour market and ensure that they succeed once they arrive and are highlighted below.

The Provincial Nominee Program (PNP)

The Provincial Nominee Program is designed to facilitate immigration of foreign nationals to specific provinces/territories in Canada in order to target explicit economic needs. Individuals who immigrate to Canada under the PNP have the skills, education and work experience needed to make an immediate economic contribution to the province or territory which nominates them. Since the inception of this program, the focus has been on immediate occupational needs indentified by the participating provinces. The provincial nominee rules recognize that provincial governments are best positioned to determine their specific economic needs with respect to immigration.

Labour-market needs vary over time due to a number of factors such as general economic cycles, rates of growth in particular sectors, and demographics within particular occupations. Generally the PNP is viewed as being more responsive to more immediate needs in the labour market as

[11] For the purpose of determining whether a federal skilled worker (principal applicant) is able to become economically established in Canada, foreign nationals are assessed and awarded points for the following criteria: education, proficiency in the official languages of Canada, experience, age, arranged employment, and adaptability.
[12] Although Provincial Nominees (PN) are not specifically points-assessed, research shows a significant number of PN principal applicants come from the skilled worker inventory or transition from temporary foreign worker status.
[13] Results from the first wave of Longitudinal Survey of Immigrants to Canada (LSIC) show that job prospects are not the most important factor for determining the location choice for new immigrants. The most important factor is the presence of family and friends. This is even true for principal applicants in the skilled worker category.
[14] For more information on immigrant labour mobility, see "The Interprovincial Mobility of Immigrants in Canada". www.cic.gc.ca/english/resources/research/interprov-mobility/index.asp.

compared to the Federal Skilled Worker (FSW) program. PNP applicants receive priority processing while most FSW applicants do not[15] and the PNP is broader based in terms of the occupational labour-market spectrum.

Since the inception of the PNP, comparisons regarding the labour-market outcomes of the FSW program are often made. However, one must remember important differences between these two economic streams of immigration. The FSW program addresses knowledge-based and longer-term needs for skilled professionals, whereas the PNP tends to focus on shorter-term, occupational and specific labour needs identified by a province.

Ministerial Instructions (MI) – Bill C50

On June 18, 2008, the *Immigration and Refugee Protection Act* was amended to give the Minister of Citizenship and Immigration authority to issue instructions which would ensure the processing of applications and requests be conducted in a manner that, in the opinion of the Minister, would best support the attainment of immigration goals set by the Government of Canada.[16] With this authority the Minister may issue "Ministerial Instructions" to immigration officers on which, and how, applications are to be processed. With the exception of some types of applications (such as refugees), MI can accelerate certain kinds of applications for processing, limit the number of applications or determine that applications which do not meet the eligibility criteria set out in the MI need not be processed.

In November 2008, the *Action Plan for Faster Immigration* was launched to help make the Federal Skilled Worker (FSW) Program more responsive to the Canadian labour market. The central component of the Action Plan was a first set of MI that expedited the processing of select FSW applications to ensure that skilled immigrants can get to Canada quickly when their skills are in demand. Meanwhile, applications received by CIC that did not meet the eligibility criteria set out by the MI were not processed. Specifically, these first Ministerial Instructions initiated the priority processing of 3 groups of applicants within the FSW category:

- Foreign nationals who submit an application with an Arranged Employment Offer (AEO)[17], or
- Foreign nationals in Canada as international students or temporary foreign workers, or
- Foreign nationals who submitted an application consistent with evidence of experience in the last 10 years under one or more of the priority occupations.

Since 2008 the MI authority has been used on an ongoing basis to address processing pressures in a number of categories. However, the MI authority continues to refine FSW application processing in order to be as responsive to the labour market as possible.[18]

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15 Generally the FSW program is viewed as being less responsive to changes in the labour market due to the longer processing times from application to issuance of the permanent visa. However, some FSW (those who have an arranged employment offer or an arranged employment opinion) do receive priority processing.
16 Please see Canada Gazette notices canadagazette.gc.ca/rp-pr/p1/2010/2010-06-26/html/notice-avis-eng.html and www.gazette.gc.ca/rp-pr/p1/2011/2011-06-25/html/notice-avis-eng.html#d119.
17 In addition to being in Canada with a valid work permit, the foreign national must demonstrate that the AEO must be in an occupation identified as Skill Level O, A or B according to the NOC, have a neutral or positive effect on the labour market in Canada and the employer must make an offer to employ on an indeterminate basis.
18 Among the measures included in the second set of Ministerial Instructions (June 2010) was a revised eligible occupation list. Applications accepted for processing under this occupation list were capped at 20,000 per year, with no more than 1,000 to be in any one of the now 29 eligible occupations, although applications submitted with

The development of the priority occupations list is based primarily on the labour market projections of Human Resources and Skills Development Canada and provinces and territories, plus input from employers and partners. All occupations included in the priority list follow the National Occupation Classification (NOC) coding system.

A significant number of the occupations on the current priority list are in the medical field (including general practitioners, specialist physicians, dentists, pharmacists, nurses, etc.). However, other occupational fields are also common including food hospitality (restaurant managers, chefs and cooks) and construction trades and related occupations. Not surprisingly, many of these occupations have also been identified by HRSDC as being occupations that will endure "pressures" or shortages in the coming years due to increased retirements and higher than average job growth.

Canadian Experience Class (CEC)

Although the number of permanent landings in the Canadian Experience Class (CEC) are still at relatively low numbers (6,027 or 2.4% of overall permanent resident entries in 2011), this category is designed to attract and retain skilled and talented individuals who have already demonstrated their ability to successfully integrate into the Canadian labour market and society. The CEC allows certain temporary foreign workers and certain foreign student graduates, such as those with work experience in the managerial, professional, and technical or trade fields, to apply for permanent residence and eventually Canadian citizenship without having to leave Canada.[19] Unlike other existing programs, this new avenue for immigration allows an applicant's Canadian experience to be considered as a key selection factor when immigrating to Canada.

Research done on the economic performance of new immigrants to Canada suggests that those who spend time in Canada prior to landing (especially as temporary foreign workers) have a superior economic outcomes as compared to those who do not spend time in Canada prior to landing and this bodes well for immigrants who are eligible to come to Canada under this category.[20] While some of the early results of these improvements and changes in policies and programs are encouraging and point to improved outcomes, some integration challenges persist. Given that immigration is expected to play an increasingly important role within the labour supply equation, difficulties related to immigrant labour-market integration (foreign credential recognition, language training, etc.) are key factors which must be improved for better economic performance.

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arranged employment were not capped. The third eligibility, specifically for TFWs and students, was discontinued. A third set of MI issued in July 2011 maintained the AEO stream and occupation list but halved the caps for the latter to reflect processing pressures. Lastly, a fourth set of Instructions issued in November 2011 sought to further support economic and labour market objectives by introducing a new eligibility stream under the FSW category for international students pursuing PhD degrees at Canadian universities as well as foreign nationals who recently graduated with a Canadian PhD.

[19] There are two types of temporary foreign nationals who may be eligible for the Canadian Experience Class: (1) a temporary foreign worker with at least two years of full-time (or equivalent) skilled work experience in Canada; or (2) a foreign graduate from a Canadian post-secondary institution with at least one year of full-time (or equivalent) skilled work experience in Canada.

[20] Sweetman and Warman "Temporary Foreign Workers and Former International Students as a Source of Permanent Immigration".
www.clsrn.econ.ubc.ca/workingpapers/CLSRN%20Working%20Paper%20no.%2025%20-%20Sweetman%20Warman.pdf

5. Trends in economic performance of immigrants in Canada

At an annual rate of about 0.8% of its population, Canada has one of the higher inflows of permanent residents among OECD countries. Despite the relatively high rate of immigration, Canada shows the most equality in employment rates between the Canadian-born and immigrant-born populations. In terms of labour force participation, the disparity in rates between Canadian-born and immigrant-born females is the lowest among OECD countries and the difference among males is negligible. Nevertheless immigrants do face challenges integrating into the Canadian labour market.

Results from the 2006 Census show that earnings disparities between recent immigrants and Canadian-born workers continued to increase into the first decade of the 2000s. In 1980, recent immigrant men with employment income earned 85 cents for each dollar received by Canadian-born men. By 2000, the ratio had dropped to 67 cents, and by 2005 to 63 cents. The corresponding ratios for recent immigrant women were 85, 65 and 56 cents, respectively.

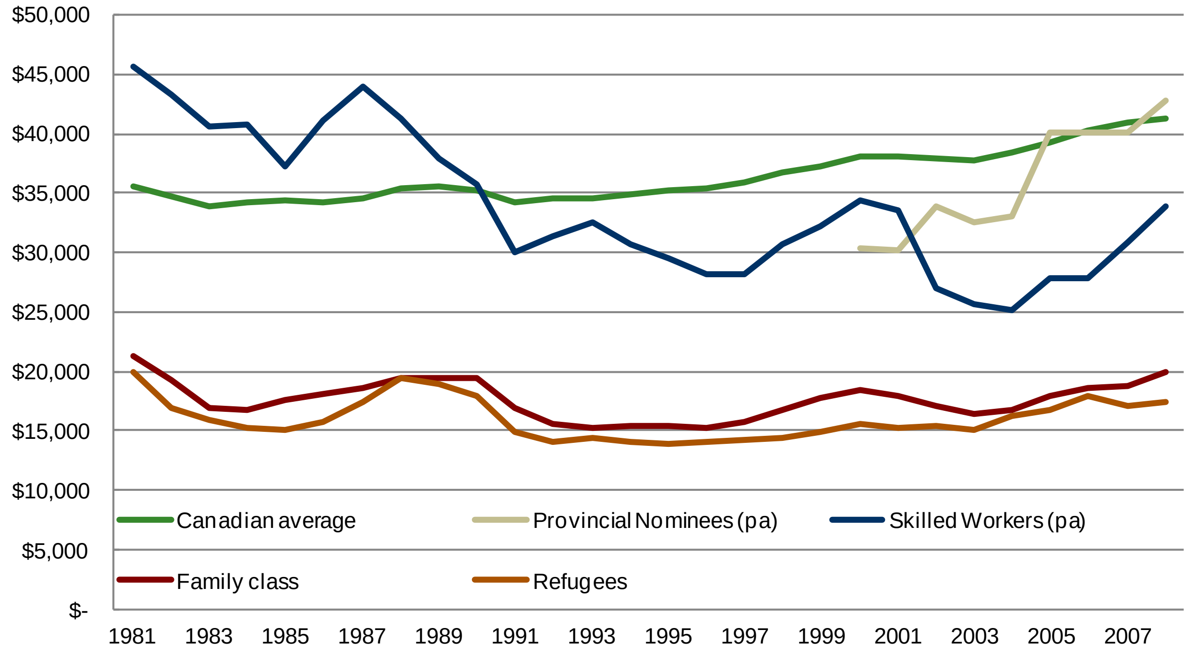
Looking at annual employment earnings data from the Longitudinal Immigration Database (IMDB), two trends have persisted over time for all entry cohorts. First, earnings increase with time in Canada. Second, earnings of economic class immigrants (principal applicants) exceed those of all other immigrant categories – both initially and over time, on average (Figure 8). This group is selected for its labour-market attributes and generally has higher participation rates and attachment to the labour market than others.

Despite this long term trend, the economic performance of immigrants has been uneven since the early 1990s. Those who entered Canada at the beginning of the 1990s faced very poor economic conditions, and their employment earnings reflect this. On average, earnings of later cohorts improved, with strong growth exhibited in the IT sector. Among skilled immigrants, there is a disproportionately high concentration of occupations in the IT sector – specifically engineering and computer-related occupations.[21] As a result, they were also disproportionately impacted by the collapse of that sector at the beginning of this decade and their earnings profile during 2000-08 reflects this reality.[22]

[21] A high concentration of IT occupations can be found in the Natural and Applied Science Occupational group including all engineering and computer science occupations.

[22] Employment earnings of other immigrants – spouses of skilled workers, family class and refugees have not experienced such strong shifts, but their entry level earnings are low to begin with and approach but do not reach the Canadian-born average.

Figure 8: Average entry employment earnings ($2008) by immigration category and tax year



Source: Longitudinal Immigration Database (IMDB)

5.1. Trends in low income

The incidence of low-income among recent immigrants (i.e. those who immigrated in the previous five years) almost doubled between 1980 and 1995, that is from 25% in 1980 to 47% in 1995, and then fell to below 36% in 2000. In contrast, low-income rates among the Canadian-born population dropped from 17% in 1980 to 14% in 2000. Results from the 2006 Census indicate that the low-income rate for recent immigrants continued to be well above that of the Canadian-born population during 2005.[23] Low-income rates for immigrants who have been in Canada for longer periods of time are significantly lower. Declines are noted for every additional year an immigrant has lived in Canada.

Previous research has identified a number of groups among the non-elderly population as being particularly at risk of persistent low income and poverty – these groups include lone parents, Canadians of Aboriginal origin, recent immigrants, persons suffering from work-limiting medical conditions and unattached individuals aged 45-64.[24] In addition, many of those in low-income situations have been hindered by the fact that hourly wages for all newly hired employees have fallen substantially relative to those of other workers.[25] However, with respect to recent immigrants specifically, little is known about the causes of poverty, where it occurs and its various social ramifications.

[23] *Earnings and Incomes of Canadians Over the Past Quarter Century, 2006 Census*, Catalogue no. 97-563-X, May 2008.
[24] Kapsalis, C and Tourigny, P. 2002 *Profiles and Transitions of Groups at Risk of Social Exclusion: Lone Parents*, Human Resources Development Canada, Working Paper SP-577-06-03E
[25] Morissette and Picot, *Low-Paid Work and Economically Vulnerable Families Over the Last Two Decades*, Catalogue no. 11F00119 — No. 248, April 2005.

5.2. Factors at play

Research examining the reasons behind the less than desired economic outcomes suggests that there are a number of factors at play:

- Labour-market conditions accounted for about 40% of the decline witnessed over the past two decades. Most recently the IT bust in the early 2000s resulted in lower employment and earnings in that sector of the economy.
- Lower returns to foreign education due to changes in source country. While the returns to education from different countries have not declined over time, the share of immigrants coming from countries with lower returns has increased.
- Foreign work experience is not as valued as domestic work experience.
- Inadequate official language ability. While it has been difficult to accurately measure the impact of knowledge of official languages on economic outcomes, all evidence points to this as being a significant barrier to immigrant economic success.[26]
- More competition from an increasingly highly educated Canadian-born population.

5.3. Economic performance by province/region

The relative provincial performance of immigrants varies. This is consistent with the situation of the Canadian-born population across provinces. Variations in employment earnings may arise due to a number of factors (e.g. local labour-market conditions, minimum wage laws, etc.) but what is a key factor among these factors is the variation in industrial and occupational concentrations across regions.

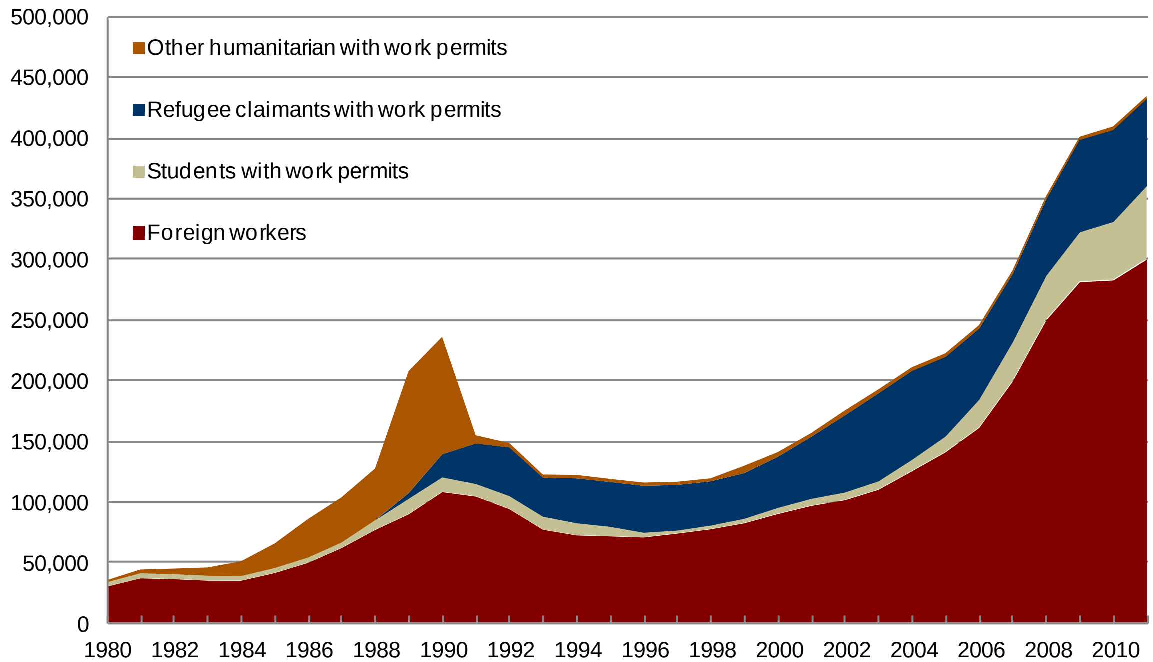
The decline in average annual employment earnings for recent immigrants during the early part of this decade was also seen at the provincial level for British Columbia, Ontario, and Quebec, albeit to different degrees. Earnings in Ontario were particularly hard hit by the decline in employment in the IT and manufacturing sectors which had a negative impact on earnings of recent immigrants going to that province. Rising low-income rates within the recent immigrant population particularly in Toronto and Vancouver from 1990 and into this decade is increasingly worrisome given that the Canadian-born populations within these cities have experienced declines in their low-income rates over this same period.

[26] Results from the IALLS (International Adult Literacy and Skills Survey) indicate that immigrant literacy in Canada's official languages is well below what is needed to make use of post secondary and tertiary education.

6. The role of temporary foreign nationals working in Canada

In addition to permanent residents who arrive in Canada, there are foreign nationals present on a temporary basis who are issued work permits and are legally able to participate in the Canadian labour market. The primary source of these temporary foreign nationals is the temporary foreign worker program; however, other temporaries (mainly foreign students and refugee claimants) may also apply for and receive a work permit while in Canada. Figure 9 shows the number of temporary foreign nationals in Canada with work permits on an annual basis.[27]

Figure 9: Number of foreign nationals (present on December 1st) with Canadian work permits, 1980-2011



Source: *Facts and Figures*

6.1. Temporary foreign workers

Various initiatives have been introduced in order to respond to the challenges of globalization, the increased mobility of the labour force and the needs of employers. Human Resources and Skills Development Canada (HRSDC) and Citizenship and Immigration Canada (CIC) are continually working on refinements to the Foreign Work Program in order to accommodate the changing needs of workers and employers. This plan includes a commitment to providing service at a speed that will support Canadian employer's efforts to operate effectively in a competitive global environment.

The current temporary foreign worker program can be broken down into two broad segments. The first and most commonly recognized segment of the program deals with those who respond directly to employer needs including those with a validated labour-market opinion (LMO) from

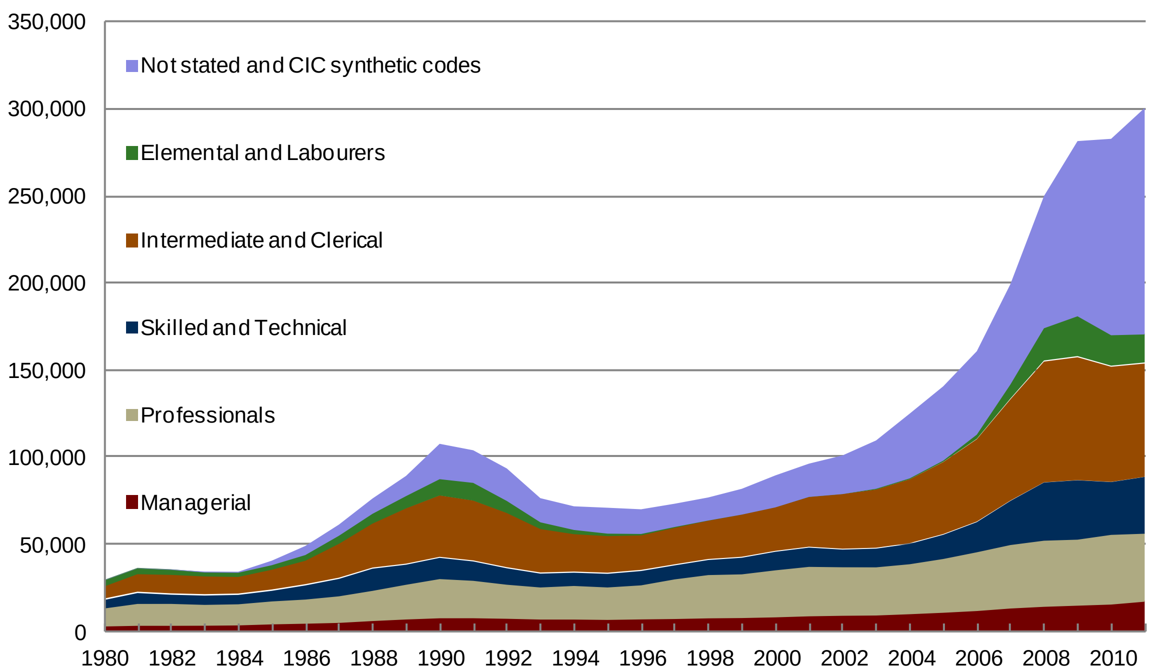
[27] For this analysis, the number of temporaries is calculated as those who were present in Canada with a valid work permit on December 1st of every year.

HRSDC and other foreign nationals in Canada tied specifically to the labour market (including workers under Seasonal Agricultural Worker Program (SAWP), Live-In Caregiver Program (LCP), international agreements, etc.). The second segment of the Foreign Work Program can be described as "facilitative" in nature and is not associated with a specific job or employer (including reciprocal youth exchange programs, spouses with open work permits, etc.). Foreign nationals who enter Canada under the "facilitative" segment do not require a LMO from HRSDC and are not tied to a specific segment of the labour market.

Estimates of the number of people entering Canada on a temporary basis are usually inferred from counting the number of documents issued. However, certain practices result in significant and sometimes substantial double counting. As a result, there is a need to perform calculations based not solely on the number of permits, but, more importantly, on the number of people in order to achieve an annual count of foreign workers (number of unique foreign workers present at some time during the year) and the length of authorization for each work permit.

Looking at calculations of the number of foreign workers present on December 1st, we can determine that foreign workers have historically made up a small proportion of the total labour force in Canada[28]. In 1980, foreign workers represented 0.2% of the total labour force and by 1990 the share had climbed to 0.8%. By 1993 the share had fallen to 0.5% where it remained stable through 1999. However since that time, the size of the TFW population has grown rapidly and now stands at over 300,000 or 1.6% of total labour force in Canada.

Figure 10: Foreign workers (present on December 1st) by skill level, 1980-2011



Source: *Facts and Figures*

[28] The transitory nature of the TFW program can make it difficult to measure the size of the foreign national population working in Canada. In order to get an estimate of the overall size of the temporary foreign population, CIC typically chooses a point in time (December 1st of every year) in order to determine the size or "stock" of the population.

The recent rapid increase in the TFW population since the beginning of the 2000s has been well documented but what may not be as well known is the origin of the increase in the number of TFWs. A significant part of the recorded increases have come from the "facilitative" side of the Foreign Worker program. For instance, foreign nationals present in Canada under the youth exchange program have increased from roughly 10,700 in 2000 to 61,000 in 2011. Important increases have also been noted for the spouses and common law partners of temporaries and other similar entrants who have "open" work permits (not linked to a specific job or employer) upon arrival.

Other programs which are geared to the labour market have also noted solid increases since 2000 including: the Live-in-Caregiver Program (LCP), Seasonal Agricultural Worker Program, Low Skilled and Software programs. Of particular interest in this discussion is the Live-in-Caregiver Program which is more long-term in nature and specifically allows for a transition to permanent resident status.

The LCP brings workers to Canada for live-in care giving when there are not enough Canadians to fill the available positions. Workers hired under this program care for children, seniors or people with disabilities, without supervision, in private households. Foreign nationals admitted under this program may apply for permanent residence in Canada after completing two years of live-in care giving employment within three years of arrival in Canada. The growth of the LCP has been significant since 2000 rising from 7,450 in 2000 to 39,000 by 2009. However since peaking in 2009, the number of LCPs present in Canada declined to roughly 25,000 in 2011.

6.2. Other temporaries

As mentioned above, foreign students, refugee claimants and other temporaries may also apply for work permits while in Canada. While the primary reason for these people being in Canada is not to work, they may nevertheless enter into the labour market. Administrative records show that roughly 135,000 foreign nationals in Canada (in addition to 300,000 temporary foreign workers) could have participated in the Canadian labour market in 2011, a notable increase from the 52,000 other temporaries with work permits in 2000. The increases in numbers over the past decade have come mainly from foreign students and refugee claimants. For foreign students, special programs (such as the Off-campus Work Permit Program, Co-op Work Program and Post-Graduation Work Employment Program) have resulted in increases in the numbers with work permits. While for refugee claimants, the increases have been driven by higher numbers of foreign nationals filing a refugee claim and a higher percentage applying for work permits.

6.3. Transitions from temporary to permanent status

Foreign nationals who enter Canada under temporary work permits can become permanent residents after their initial entry. In 2000, there were roughly 47,000 transitions from temporary to permanent status, representing almost 21% of new permanent residents in that year. By 2010, this number grew to almost 72,000 – accounting for almost 25% of all landings.[29] Temporary foreign workers accounted for roughly 30% of all of the transitions with much of that attributable to Filipina LCPs choosing to remain in Canada and entering through the economic class. Many students from China and Hong Kong also opted to stay in Canada having acquired enough human capital to succeed through economic selection criteria or transitioning through the family class.

[29] Note that at time of publication, transition statistics for 2011 were unavailable.

7. Match between supply and demand

Despite the slowdown in economic activity during 2008/09, the unemployment rate is expected to decrease gradually over the coming decade as labour force expansion slows and limits the number of new labour market participants. However, the gradual decline in the unemployment rate is not expected to lead to any generalized shortages in the labour market.

Given that the economy has been emerging from an economic slowdown over the past couple of years, the latest labour market conditions suggest few labour market pressures or shortages exist across the country. However, longer-term projections for the coming decades suggest some specific localized shortages may occur, but Canada will not experience sustained generalized shortages of workers. Overall, looking at broad skill levels, we expect that over the next ten years Canada will not face major imbalances of labour supply and demand in any one of the main five groupings. This is true despite the fact that there is expected to be significant differences in the annual demand for labour among some of these different skill levels. For example, the fastest growth in demand is expected for jobs which require university education (1.6% per year) while the lowest growth is expected for jobs which usually require a high school education or occupation-specific training (0.9% per year). Yet despite these differences, aggregate labour supply will roughly fill the expected aggregate demand.

However, looking at a finer level of occupational detail, there are areas where prospective labour supply will fall short of demand growth. In other instances, supply growth will exceed demand. These kinds of imbalances have traditionally been greater at the provincial/regional/local levels and this will most certainly happen in the future. This is a natural occurrence in a free-market economy, however better matching of occupational supply and demand and comprehensive labour market information can only improve the situation.

Potential labour market pressures over the decade are expected to be strongest in the health sector. This results from an above-average increase in new demand, an above-average number of people retiring, and an insufficient increase in new supply. As a result, future labour market conditions for this occupational grouping are expected to be "tight". Pressures are expected to be particularly acute for such occupations as doctors, nurses, medical technologists and technicians and assisting occupations in support of health services. Growth in labour demand follows from an ageing population, increased government funding for health care and the high number of retirements. Supply growth is expected to be limited by a number of factors. New supply from immigration has been limited in the past due to foreign credential recognition issues and the strong global demand for health care workers. In addition, new supply from the education system will also be limited as a result of the long training time (up to seven years for doctors) and the institutional capacity to handle new enrolments.

Some improvements related to foreign credential issues have recently been made and will most likely help new foreign-trained entrants enter a number of sectors including health;[30] however, despite these improvements, it is expected that the demand for health-care workers will continue to exceed supply in the coming years.

[30] In 2007 the Foreign Credentials Referral Office (FCRO) was created in order to help prospective immigrants get the information they need on the foreign credential recognition process and the Canadian labour market before they get to Canada. The goal of the FCRO, in partnership with Canada's Foreign Credential Recognition (FCR) Program, is to improve the integration of internationally trained workers into the work force while working with provinces, territories and partners across jurisdictions to strengthen foreign credential assessment and the recognition of qualifications acquired in other countries.

Other occupational groupings expected to experience future shortages include:

- the management grouping of occupations for many industries/sectors largely the result of above average levels of retirements;
- human resources and business services professionals; and
- some occupations in the trades (especially contractors and supervisors of trades, electrical trades, heavy equipment operators) as a result of average growth in new demand but below average growth in new supply.

There are some interesting points to take away from the discussion above. There is not expected to be any sustained labour market imbalance by broad occupational level, but there is expected to be some imbalances for specific occupations. Furthermore, labour market pressures will not solely be confined to certain segments of the labour market – they will periodically appear across a wide range of jobs, ranging from health occupations to construction trades. In addition, while occupations that deal with advanced technologies or the "knowledge-based economy" are expected to be a growth leader, overall these occupations are not considered as key pressure areas as has been the case in some of the previous forecasts.

8. Risks and opportunities

As is with all economic forecasts, there is an inherent risk to what will actually happen in the future. Economic cycles are hard to predict 1 year in advance let alone 10 years down the road and changes in economic cycles due to a number of factors (e.g. interest rate changes, oil price shocks, changes in fiscal policy, etc.) will change the consumption, investment, government spending and trade patterns in an economy which will, in turn, impact labour requirements. Other factors such as technological change, differences in institutional/regulatory bodies and market imperfections also play a key role and should not be discounted. Changes to underlying legislative and policy frameworks may also have a significant impact – for instance changes to policies regarding foreign credential recognition and adjustments to the Canadian educational system would certainly impact the supply side in the Canadian labour market.

9. Conclusion

So what is the role and what should be the role of Canada's Immigration Program in the labour market? Information presented in this paper indicates that immigration alone (at current levels) cannot fix the major challenges faced by the Canadian labour market in the years to come. However, that being said, immigration can prove to be an invaluable tool for dealing with shortages in specific occupations and regions which would improve the performance of the labour market.

Canada will have challenges to overcome in the future as it has had in the past. Many of these challenges will arise from factors that have been discussed in the risks section above (e.g. economic cycles, changes to technology and regulatory factors, etc.). The problem with these types of risks is that they cause upswings and downturns in the demand for workers. Slow or declining economic growth usually results in employment declines and research has shown that recent immigrants can be particularly vulnerable during economic downturns. Further, overrepresentations in certain industrial sectors and occupations (such as those related to information technology) have resulted in weaker economic performance for the immigrant population in the recent past.

Demographic influences are somewhat easier to predict and also weigh heavily on the future labour market. In fact, probably the most important factor to consider during the next couple of decades is the large number of retirements expected by workers from the "baby boom" generation. This will have a significant impact, not only on labour supply, but also on labour demand. While many workers are expected to retire, Canada is not expected to experience sustained generalized shortages of workers in the future. However, labour market pressures and imperfections are expected to materialize for a number of occupations.

Do we need high human capital selection criteria to ease these pressures and achieve a better labour market performance? This is unclear and largely depends on the evaluation criteria used to measure labour market needs. With the implementation of IRPA, human capital characteristics became the main screening criteria for selection decisions within the Federal Skilled Worker class. Early indications with respect to the economic performance of these immigrants suggest superior economic results as compared to immigrants chosen under pre-IPRA legislation.[31] However, other programs (such as the Provincial Nominee Program) which are based to a greater extent on regional occupational needs are also showing signs of positive economic outcomes. The important point to take away from this is that Canada's Immigration Program can help to reduce labour market pressures and imperfections through the admission of permanent residents from different classes and also temporary foreign workers.

The inclusion of immigrants in the labour force and improving employment outcomes of immigrants is an essential condition for integrating immigrants into Canadian society and improving the overall performance of the Canadian labour market. However, it is not just an exercise in levels management. Adding permanent and temporary residents to the labour force does not necessarily satisfy all labour-market needs and, in fact, may lead to bigger problems. Attention must also be exercised in the determination of the "right" mix of immigrants. The "right" mix of immigrants may have many dimensions including:

[31] For more information on the evaluation of the Federal Skilled Worker Program please see www.cic.gc.ca/english/resources/evaluation/fswp/index.asp.

- How many high-skilled workers versus mid-skilled and low-skilled are required?
- What region of the country requires these workers?
- Are labour imbalances of a temporary nature and can these pressures be eased by temporary workers or are permanent residents required?

Given the dynamic and ever changing situation in the Canadian labour market, it is essential that the Canadian Immigration Program provides sufficient flexibility to respond to the complexities of Canada's labour market today and in the future. This is not only essential for the integration of new immigrants coming to Canada but also to maximize the benefits to the Canadian economy.

Appendix A: The importance of immigration to labour force growth

According to the 2006 Census, the immigrant proportion of the Canadian labour force is one to two percentage points above the immigrant proportion of the Canadian population. For example, in 2006, immigrants made up 18.4% of the Canadian population and 19.9% of the Canadian labour force. In 1996, these figures were 17.4% and 19%, respectively.

Between 1996 and 2006, the Canadian labour force grew by 2.3 million participants. Of those immigrants landing in the ten-year period preceding the 2006 Census (recent immigrants), roughly 1.1 million were in the labour market in 2006. Some researchers have suggested that dividing the number of new immigrants entering the labour force during this period by the net labour force change between 1996 and 2006 reveals the contribution of recent immigrants to net labour force growth. For example, 1,126,165 new immigrants in the labour force divided by the overall increase in the labour force of 2,333,435 show that close to half (48%) of net labour force growth during the period was due to immigration. This can be a misleading statement if not taken in context.

Specifically, what about the contribution of Canadian-born new entrants to the labour market over this same time period? In 2006, there were more than 2.4 million young (15-24) Canadian-born participants who also entered the labour market during the same time period. Combining young Canadian-born participants with recent immigrants yields roughly 3.5 million new entrants to the labour market since 1996.[32] Breaking down these two sources of new entrants shows that recent immigrants accounted for less than one-third (32%) of all new entrants over the 1996-2006 period.[33]

Using the same method which gives us the finding that recent immigrants accounted for roughly half of net labour force growth between 1996 and 2006, researchers estimate that sometime between 2011 and 2016 immigrants will account for 100% of net labour force growth. This estimate could be interpreted to mean that young Canadian-born individuals will make no contribution to the labour force – this, of course, is impossible. Recent immigrants will continue to comprise a significant portion (and perhaps an increasing proportion) of new entrants to the labour market. However, it can be expected that young Canadian-born individuals will make up the majority of new entrants in the foreseeable future.

[32] This analysis does not consider other entrants to the 2006 labour market such as, for example, those who were retired in 1996 but reentered the labour market by 2006.

[33] As mentioned, the labour force grew by almost 2.3 million people between 1996 and 2006. As there were roughly 3.5 million new entrants, this necessarily means that there were approximately 1.2 million retirements (or other exits) from the labour force.