



# *The Underutilization of Immigrant Skills: Trends and Policy Issues*

## About the Brief

This policy brief is based on Jeffrey G. Reitz, Josh Curtis, and Jennifer Elrick. 2013. "[Immigrant Skill Utilization: Trends and Policy Issues](#)", *International Migration and Integration* (2014) 15: 1–26.

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## Target Audience

- ◆ Researchers
- ◆ Policy Makers
- ◆ Graduate Students

## Summary

Since 1996, the problem of underutilization of immigrant skills in Canada has grown significantly. University-educated immigrants are more numerous, yet our census analysis shows that their access to skilled occupations in the professions and management declined between 1996 and 2006. In these years, the value of work lost to the Canadian economy from immigrant skill underutilization grew from about \$4.80 billion to \$11.37 billion, annually. Given the significance of immigration for economic development, the evaluation of current policies and consideration of future directions seem urgent.

## Key Findings

- ◆ Aggregate earning losses due to immigrant skill underutilization are \$4.80 billion in 1996, rising to \$11.37 billion in 2006.
- ◆ The proportion of immigrants with university degrees rose dramatically from 20.8% in 1994 to 45.6% in 2001, and remained at that level through 2009.
- ◆ In 1996, immigrant men and women with high education and qualifications were at a substantial disadvantage in obtaining managerial or professional occupations, relative to those born in Canada. In 2006, they fared even worse, despite strong labour demand in the early 2000s.
- ◆ From 1996 to 2006, the relative proportions of immigrants in low-skill occupations rose steadily for both men and women.
- ◆ In Québec, university-educated immigrants have higher rates of success gaining access to skilled occupations than in BC, and more in BC than in Ontario. However, comparing the most recent arrivals in all three provinces over time shows that recent arrivals had more difficulty in 2006 than in 1996.
- ◆ Although the labour market value of university credentials grew for most Canadians from 1996 to 2006, it was less for immigrants than for the native-born, for both men and women.



### Policy Background

There have been two phases of policy-making regarding barriers to immigrant skill utilization since 1996. In the first, the focus was on credential assessment and recognition. These services assisted immigrants in gaining skilled jobs by sponsoring nationwide consultations with immigrant service organizations, colleges, and employers, and by helping employers assess immigrants' literacy and essential skills regardless of paper credentials.

In the second phase, the complexity and extent of skill underutilization were recognized, and programs like career bridging and mentoring were introduced. These programs helped immigrants who lacked specific knowledge required for jobs in Canada, such as professional "lingo" and social networks. For instance, career bridging programs offered immigrants networking events and introduced skills like academic and technical writing, workplace culture, and job interview preparation. Settlement programs also encompassed services such as translation, referral to community sources, counseling, and language training.

These two phases roughly correspond with census data points (1996-2001 and 2001-2006), and as such, this study examines whether progress has been made in relation to the policy initiatives of each phase. Nevertheless, identifying expected effects within specific time periods is difficult because the timing of policy implementation varies across provinces.

### Data and Method

This study examines recent trends and assesses policy impacts based on Canadian census data from 1996, 2001, and 2006. First, we review trends in skilled immigration in Canada since the mid-1990s, and analyze trends in the success of immigrants with university degrees in gaining access to highly skilled professional and managerial occupations.

Next, we estimate the earnings deficits of immigrants due to skill underutilization, both at the individual level and in the aggregate across the population. Previously, 1996 census data were used to describe immigrant skill utilization in terms of the total earnings lost when immigrants are employed at occupations below the level at which similarly qualified native-born workers are employed (Reitz 2001). We replicated this analysis to track changes in the significance of the problem over the next decade. Our method also enables analysis of differences in gender, recentness of immigration, and provinces.

To calculate earning deficits, we used earnings equations including economic and socio-demographic variables.

[Please see the full report for details.](#)



### Results

#### *Trends in Employment of University-Educated Immigrants: 1996-2006*

Table 1 below shows the proportions of immigrant men and women with either bachelor's degrees or a graduate or professional degree, by arrival cohort for each census. A native-born comparison group is also included. The data show that the most recent cohorts in every comparison are better educated than earlier cohorts. This finding holds for both men and women for all three census years.

Furthermore, education levels for the most recent arrivals (less than 5 years before the census) increased rapidly over time. These trends have a cumulative effect on the population, so that in 2006, higher levels of education are seen for all cohorts arriving in the previous 15 years. Over this period, educational levels also rose for the native-born, but less rapidly than for immigrants.



Table 1: Percent at BA or professional/ graduate education level, for immigrants by arrival cohort and for the native-born, by gender; persons aged 20-64, for census years 1996,

		BA or Prof./grad. degree	
		Men	Women
<b>1996</b>	Last 5 years	24.5	19.2
	6-10 years	20.3	16.5
	11-15 years	20.5	16.1
	16+	18.2	12.9
	Native born	12.8	11.6
<b>2001</b>	Last 5 years	44.5	36.6
	6-10 years	25.6	21.5
	11-15 years	22.4	18.9
	16+	20.9	15.0
	Native born	14.0	14.2
<b>2006</b>	Last 5 years	44.2	38.7
	6-10 years	39.9	33.7
	11-15 years	37.0	22.4
	16+	21.2	16.6
	Native born	15.0	15.2

Despite a trend toward improvement in 2001, these cohorts fared worse in 2006 than in 1996: the success rate is 43.5% for immigrant men and 34.4% for immigrant women, as compared to 70.8% and 66.9% of native-born Canadians, respectively. Note that immigrants who have been in the country for longer consistently have higher success rates, suggesting that assimilation into the labour market affects their success in finding these jobs.

Also note that labour demand fluctuation does not provide a full explanation here, as labour demand was stronger from 2000 to 2005 than in the recession of the early 1990s, yet the occupational success of immigrants was significantly less for those arriving in the latter period (Statistics Canada 2010).

### *Access to High-Skilled Occupations*

Table 2 shows the occupational status of higher educated immigrants (BA or prof./graduate) who were working in high-skilled occupations, 1996-2006. The situation in 1996 shows a substantial disadvantage for immigrant men and a greater disadvantage for immigrant women. For instance, only 50.4% of recently immigrated men (<5 years) with higher education are in managerial or professional occupations, as opposed to 70.7% of native-born Canadians. The success rate is lower for women of the same cohort: only 34.6% have a high-skilled profession, compared to 64.5% of native-born Canadians.

Table 2: Percentage of higher educated immigrant men and women in managerial/professional jobs by cohort, persons aged 20-64 with positive earnings

		Men	Women
<b>1996</b>	Last 5 years	50.4	34.6
	6-10 years	54.1	39.7
	11-15 years	62.2	52.5
	16+	73.8	60.7
	Native born	70.7	64.5
<b>2001</b>	Last 5 years	54.2	42.3
	6-10 years	59.5	44.7
	11-15 years	61.3	46.9
	16+	73.3	62.9
	Native born	72.4	67.3
<b>2006</b>	Last 5 years	43.5	34.4
	6-10 years	55.3	41.9
	11-15 years	57.8	45.8
	16+	70.6	62.3
	Native born	70.8	66.9



### *Employment of the Highly Skilled in Low-Skilled Occupations*

In the 1996 census, the proportion of university-educated immigrants across all cohorts working in low-skill occupations was 3.9%, compared to 2.6% of the native-born population. In 2001, these figures rose to 6.8% and 2.9%, respectively. By 2006, the percentage of immigrants had decreased to 4.3%, but the proportion in the native-born population declined much further, to 1.8%. Thus, the relative proportion of immigrants to native-born Canadians working in low-skilled jobs grew steadily from 1.5 times to 2.3 times to 2.4 times.

### *Differences by Province*

Data also showed that in Québec, university-educated immigrants have more success gaining access to skilled occupations than in BC, and more in BC than in Ontario. However, comparing the most recent arrivals over time shows that they had more difficulty in 2006 than in 1996 in all three provinces. The trend is more negative in Québec since their new arrivals in 1996 had a much higher success rate than in either of the other two provinces, but in 2006, it was similar across all three. These results are notable considering that Ontario has put the most funding into immigrant skill utilization policy since 1996 (TRIEC 2006).

### *Trends in the Aggregate Cost of Immigrant Skill Underutilization Due to Lost Earnings*

A precise estimate of the magnitude of the problem of immigrant skill underutilization can be gained by calculating the total earnings lost to immigrants in each of the three census years. Our equations take into account human capital and related variables like earning determinants and occupational categories reflecting skill levels (see full report for exact equations). The equations tell us how much higher immigrant earnings might have been if immigrants' education and characteristics had been valued as they are for the native-born.

When looking at overall earning deficits due to lack of access to skilled occupations--what immigrants would have received if their university qualifications had the same labour market value as those of the native-born whites--we find that aggregate losses are \$4.80 billion in 1996, rising to \$6.02 billion in 2001 and \$11.37 billion in 2006. Furthermore, the losses are greater for women than for men. Of the overall earnings lost, women absorbed 78% of the loss in 1996 and 65% of the loss in 2006. These figures represent maximum estimates based on the assumption of full equivalence of immigrant and native-born skill quality.

### **Conclusion**

While skilled and highly-educated immigrants are a growing proportion of the Canadian workforce, our findings show that their success in gaining access to professional and managerial occupations has declined over time. Thus, immigrant skill underutilization not only persists in Canada but also has grown, and its economic significance in real terms is now twice what it was in the mid-1990s. It seems that the impact of policies addressing this problem before 2006 has had little aggregate effect on producing meaningful change.

Clearly, barriers to immigrant skill utilization persist in Canada. For instance, the lack of systematic standards in many unregulated fields means it is difficult for immigrants to demonstrate the value of their skills. Another barrier is racial and cultural difference: ethnic minorities may possess technical qualifications but lack "soft skills" like communication. Furthermore, labour market integration policies are unfocused and lack systematic strategies, and immigrants may be unaware of services and programs that could help them. Given the importance of immigration for Canadian economic development, the evaluation of current policies and consideration of future directions seems urgent.

### **References**

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