

# Intelligence MEMOS



*Federal budgets are an annual rite of spring in Ottawa, as is the deluge of advice to the Department of Finance. But budget-making is a yearlong process, and the work is now in progress. Accordingly, the C.D. Howe Institute is presenting a series of Intelligence Memos in the next few weeks, outlining recommendations that we hope will help inform the policy decisions that are being made now.*

From: Parisa Mahboubi  
To: The Honourable Bill Morneau, Minister of Finance  
Date: November 8, 2018  
Re: **HOW TO SPEED LABOUR MARKET INTEGRATION OF IMMIGRANTS AND REFUGEES**

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Immigration has been a key driver of Canada's economic and cultural development. As natural population growth has slowed, immigration's contribution to growth in the workforce and the tax base are becoming more important. This requires rapid labour market integration of immigrants across all admission classes through effective settlement policies.

Immigrants face various obstacles such as language barriers, lack of Canadian work experience and variable recognition for foreign education and experience, all of which can affect their employment and earnings. And the result is higher unemployment compared to non-immigrants.

Immigrant literacy and numeracy skills also lag non-immigrants, despite the large proportion of immigrants with university degrees. Although higher levels of education translate into greater skills, the literacy-skills gap persists between immigrants and non-immigrants with the same level of education. It highlights why some immigrants struggle to successfully transfer their skills upon arrival.

My C.D. Howe Institute [study](#) identified language ability as a major factor in explaining this skills gap. Better language abilities in English or French result in higher skill outcomes among immigrants.

The federal government made some significant changes to the points system in recent years that should see immigrant wage and employment gaps shrink over time. In particular, fewer points are awarded for foreign experience, and primary candidates aged above 47 with relatively poor English or French language skills are excluded from this immigration stream. In addition, a new Express Entry system allows quicker processing for applicants who have studied in Canada and who have a job offer in hand.

That said, not all immigrants to Canada are admitted through the points system. Due to differences in the admission process, there are notable variations in literacy skills gaps between immigrants and non-immigrants by type of program. The skills gap is much higher for refugees and family-class immigrants where language and education are not selection factors. As such, Ottawa needs to make sure new, more intensive, language training is available to immigrants and refugees who tend to struggle the most with language ability.

Although Canadian-educated immigrants do better than foreign-educated immigrants in the labour market, another recent [C.D. Howe Institute study](#) shows that former international students who study in Canada also earn less than their Canadian-born counterparts from similar post-secondary programs. This wage disparity is consistent with immigrants struggling to find well-paid employment due to limited domestic networks, hiring discrimination, and language difficulties, all of which point to the need for more effective settlement policies.

A strong economy needs a strong labour force with full participation of all immigrants. But this requires speedy integration into the Canadian labour market through eliminating the barriers facing immigrant groups, combined with well-designed settlement policies, such as more rigorous and accessible skills and language training programs and job-search workshops. Bridge programs to accelerate foreign credentials recognition are another means to improve labour market outcomes.

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