Here and Now: Demographic Challenges to Canadian Public Policies

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A. Introduction: Contextualizing the Demographic Trends in the Atlantic Region

Demography, the study of human populations, is a powerful tool for both understanding the past and forecasting the future. Canada and virtually all wealthy societies are now experiencing slow population growth, with many already experiencing population decline. Thus, there is much to be learned by examining the Canadian situation in the appropriate international context, paying due attention to the common forces that lead to slow growth and population aging, while also examining the unique features of the Canadian context. Moreover, it is critical to consider how demographic change is mediated by other social factors and institutions, ranging from family change to the education system and the macro-economy.

Each census in Canada’s history provides a unique snapshot of the prevailing social demographic conditions at the time. The 2011 census reveals a Canadian population that is getting older, and a dependency ratio that is getting larger. It also shows that the population is unevenly distributed, with extensive clustering in places like Montreal, Toronto, and Vancouver.

Like the rest of the country, Atlantic Canada experienced the postwar baby boom, and the subsequent bust. Part of what is unique in the region, however, is that it has long had one of the highest rates of out-migration in Canada. As a result, natural growth has been minimal due to both low fertility and high out-migration and population aging, in a collective sense, has been fairly rapid. The percentage of population 65 and over will rise continuously in the coming decade. And, if fertility rates remain at or near their current low levels, population will eventually decline. The low fertility and aging of the population will thus lead to significant looming labour force shortages about midway into the twenty-first century. Since regional infrastructure costs decline only marginally amongst a shrinking and scattered tax base, one consequence is that Debt to GDP ratios may inch upwards, requiring an increase in equalization payments from the rest of Canada.

Concern over Canada’s current and projected demographic trends has sparked debate over what may be the most effective policies to reverse low fertility and population aging or else mitigate their long-term consequences for society. These were some of the many points of focus for Here and Now: Demographic Challenges to Canadian Public Policies.

This conference was designed to address and discuss these concerns with officials involved in policy development collaborating with academic researchers who have a vested interest in the topic and research area. Intentionally divided into two different portions, the first part of the conference, referred to as a Public Policy Workshop (held in Moncton, New Brunswick) included three compelling discussion
panels of presenters affiliated with provincial, and other government institutions, attempting to navigate through the challenges that demographic change brings to their front doorstep. The second portion of the conference consisted of sessions on public policy research that included very knowledgeable academics whose extensive research areas are closely knit into the core and key issues involved within this subject matter.

B. Public Policy Workshop (June 07th, 2012)

First panel
Public Policy Challenges for Community Stakeholders set the stage by discussing the demographic challenges on a community (ground) level. Participants included a representative from the Multicultural association, Francophone Immigrant Center Executive Director, Benoit André as well as, YMCA Saint John Settlement Services Vice President, Glenn La Rusic.

All of these participants are involved in the integration and settlement aspect of the immigration process, helping newcomers adjust to the culture, community and lifestyle in New Brunswick. For example, The Resettlement Assistance Program at Settlement Services provides a wide range of essential services to Government Assisted Refugees in Saint John, New Brunswick. This Program offers services such as airport pick-up, temporary and permanent accommodations and an introduction to Canadian banking, shopping, education, the legal system and much more.

One of the challenges highlighted in the discussion was to secure government involvement beyond the community level to take into consideration immigrant needs, in terms of reevaluating the infrastructure of each institution that is involved in making up “the system.” In other words, collectively the panel strongly recommends that each institution (i.e. healthcare, or education) develop strategies or initiatives to be better prepared to grapple with some of the challenges that are unique to interacting with newcomers. These include language barriers, emotional stress, among other arising needs of newcomers to NB. The panel further sheds light on the concern for the government to consider funding resources to contribute towards essential services that support newcomers who encounter challenges in their transition into Canadian culture.

Concern over expanding to a wider selection of the immigrant pool was another thread discussed amongst the participants in this panel. Working with service providers to put the tools in place with the broader community such as the employers, skill transfers to larger companies, and entrepreneurial skills to start businesses, are all factors that contribute to the economic engine. So, this is an area in which federal and bureaucratic decisions need to be made in order to know where to set the bar when it resorts to recruiting immigrants.

The discussion brought about many insights and thought-provoking research questions stimulating critical studies in the recent future. Some participants did not see immigration as the panacea to all the ills of our society, noting in particular, the
expectation of beneficial results within 5 years of arrival is short-sighted. It is rather more effective and promising to analyze the benefits of immigration generationally.

Second panel
Discussants for this session were Assistant Deputy Minister of Executive Council Office, Pat Mackenzie; Assistant Deputy Minister of Economic Development, Eric Beaulieu; and Assistant Deputy Minister of Post-Secondary Education Training and Labour, Charles Ayles.

By categorizing the critical demographic and economic challenges of New Brunswick into four groups, Pat Mackenzie noted the first course of action was for the government to balance its budget by 2015. Since population decline translates into a decline in federal transfers, the economic situation is likely to worsen in the future. When federal-provincial agreements come up for renewal between now and 2014, the new formulas may rely on total population more than current formulas do. This will likely decrease transfers to New Brunswick and Atlantic Canada.

A significant increase in health expenditures in eight years time was another projected challenge that confronts this province. With a net reduction of young people, a senior population significantly increasing, the expense for long-term care was estimated to increase by 25 million per year over the next four years to cover the needs of this population. Ensuring and preventing illness, rather than treating illness as the overall objective in the strategies developed to minimize health expenditures as well as having a more effective impact on an individual’s health status.

Size and quality of labour force was another focal concern. A reduction in working population (defined as those age 15-64), and an increase in people aged 65 and over may explain some of the recent announcements of policy changes in pension plans. At this point, the government is aiming to solely maintain the current employment level by raising productivity. Developing strategies to retain the young population from the Northern part of the province is at their top of the agenda.

With a sizable percentage of New Brunswick employees without a degree, certificate or diploma, the human capital composition of the labour force is lower than it is in most of the rest of Canada. With little demand or employment opportunity, university grads leaving to find other employment opportunities will lead to serious impediment to fostering the innovation and productivity we need to grow the economy if left unattended. Government is currently strategizing ways to move an oversupply of level two literacy skills, to an undersupply of level three literacy skills. Provincial government workers are unaware as to how to do go about developing a plan for this course of action.

Coupled with low literacy, productivity in Canada is lagging compared to the United States, as well as other OECD countries. Employment in the goods-producing sector
has been gradually declining over the past two decades while the service-producing industries have been the dominant source of jobs – these jobs likely tend to pay much less, which means significantly less revenue for the province, income tax wise. In response to the skill shortage statistics, Eric Beaulieu notes the Economic Development branch is presently honing in on an increase focus on literacy, (including digital literacy), and workplace essential skills in order to generate more business, more jobs, and more companies. Further, certification and refocus training programs are in the works to suppress the lagging productivity New Brunswick is currently experiencing.

The panel strongly agreed that it can not be the government alone determining what the skills shortages are, or what could be done about them. In reference to the New Brunswick Economic Action Plan in particular, identifying businesses with labour shortages, and collaborating with educational institutions to finalize key success indicators is a crucial area of focus and one that requires additional evidence based research. Mr. Beaulieu asks, “How do we attract individuals to the province with the right skills or right education in order to fill those needs for our companies? What are the trends and skill requirements going forward?”

Charles Ayles stresses that immigration is not going to solve all of the concerns brought forth of the province. It is rather a tool in an overall strategy that doesn’t just belong to the Population Growth Division. By increasing immigration, improving settlement services, retaining youth, repatriating New Brunswickers as well as other Canadians, are all on the Divisions’ priority list. In order to accomplish any of these set goals, collaboration with key constituencies to attract people to New Brunswick seems to be a thematic challenge. Future research initiatives involve a focus on immigrant retention and economic establishment. Where the immigration cap will most likely not change, an alternative strategy is to be more selective. Therefore, searching for evidence based answers to why people stay and to verify the impact and effect is in the works.

With an aging population, and aging workforce, low levels of literacy, migration from the North to South, and a change in industrial composition, many things need to change. The government’s overall goal is to reduce expenditures and limit their growth over the long term with a focus on improving the wellness, increase average education levels and help businesses to become more efficient, productive and creative - this speaks the importance of evidence in making policy decisions.

Third panel
This panel presented the audience with a broader scope on the importance of demography, a demographic snapshot of New Brunswick, and contextualizing some of the demographic trends and challenges that exist in the province. Associate professor at UNB and Canada Research Chair in Population and Social Policy, Michael Haan; Associate professor at Mount-Allison University and CRC in Canadian Public Policy, Craig Brett; and adjunct professor at University of Moncton were all part of this panel.
Expressed as an optical lens, demography was most notably described as a filter to understanding the world and what’s happening around you. All of the trends witnessed, whether looking at age or migration trends, are slow, steady and to some extent predictable; another reason demography is so insightful. Dr. Haan cited most renowned economic demographer David Foot, paraphrasing demography explains two thirds of everything.

Taking the audience on a demographic journey, described through a series of population pyramids, Dr. Haan demonstrated how a once very young population aged due to fertility declines and out-migration. More troubling is that our second largest age cohort, the baby echo, is at the age of deciding whether or not to stay in New Brunswick. Haan argued that this is a critical time to develop strategies to give the Echo reasons to stay.

Each discussant in the panel indicated that issues the province are struggling with are not necessarily new or unique but instead something Canada as a country, North America, The Western world, needs to grapple with. There isn't anything necessarily wrong with New Brunswick's policies in particular; population aging is just something that New Brunswick is experiencing first due to having a larger baby boom. Population aging is happening here as fast as it is anywhere else in Canada. As these baby boomers continue to age, New Brunswick will just structure around it. For example, in 1964 (at the end of the baby boom), there was hype evolving around the possibility of more daycare, opening more elementary schools, etc. It goes without question; we adapt, we adjust, and we move forward.

In conjunction with Mr. Ayles statement of immigration not being the solution to the provinces demographic challenges, Dr. Brett brought up a very interesting point: A one percent increase in the retention of youth would be an increase compared to the population of the entire amount of immigrants who had come through the provincial nominee program. But, that one percent is challenging, notes Mr. Ayles, at least until there is a way that we can measure job vacancies for employment opportunities to be an incentive for youth to remain.

With the changing proportion of young people, a preceding aging population, and similarly to the previous panel discussion, it has been noted that the labour market has a potential to be productive now. Basic questions such as job vacancies in New Brunswick are unknown. It is unknown what jobs are open across the province. Key research questions such as where are people going when they leave New Brunswick? Do they establish themselves better when they leave? Are all open-ended questions in which the answers are required to determine the relationship between population growth and economic growth.

C. The Academic “sessions”
This portion of the conference was designed for more intimate interactions between researchers and policy makers. The primary purpose was to provide a forum for academics to share and discuss ideas, methodologies, and insights on cross-
disciplinary topics. This year’s topic of demographics was interpreted very broadly, and the two days of sessions consisted of six seminars grouped together into three separate sessions, followed by an engaging discussion on each.

**Session one: Zhou Yu, University of Utah**

The first session was based on a paper entitled *Caught in the Housing Bubble*, co-authored and presented by Zhou Yu, University of Utah, which compared immigrants and the native-born and their housing outcomes in the United States. Yu examines how immigrants are doing in traditional gateways compared to newly emergent destinations in the United States. With immigrants moving in large numbers to almost every metropolitan area and select rural areas in the country, research is only beginning to assess immigrant integration in these new destinations. While many of these changes are occurring, the country experienced a profound recession.

In his presentation, Dr. Yu describes how the recent economic crisis affected immigrants with respect to three housing outcomes: residential mobility, homeownership, and household formation. Immigrants have no doubt have been quickly expanding their presence in newly emergent destinations, and making fast in-roads in non-gateway housing markets. Because the impacts are likely to be diverse, Yu examines how the effects of the housing downturn vary by location and by immigrant group. Native U.S born residents were then compared in order to determine whether immigrants that live in metropolitan areas (with different immigrant networks) experienced different effects than U.S residents.

At two crucial time points in the recent economic cycle, the 2006 and 2009 American Community Survey was used to compare the three housing outcomes. Yu first summarized the trends between groups and metropolitan areas and then later described the multivariate models used to control for individual characteristics in addition to a number of important contextual variables at the metropolitan level.

Somewhat surprisingly, the results suggest that the impact of the recession was not as hard on immigrants as it was on the native-born. More particularly, the places where immigrant populations are have most recently arrived did not experience reductions in homeownership to the same extent as those in the large immigrant gateways; in some metropolitan areas, between 2006 and 2009, there were no declines. Even in the established gateways, the decline in homeownership has been less for immigrants than for native-born households. Dr. Yu suggested that the presence of strong immigrant networks predicts higher homeownership rates. Regression results suggest that the negative impacts from the recession are strongest in the gateway metropolitan areas (areas with bigger changes in unemployment and delinquency rates), and that after controlling for residence in the most vulnerable areas, changes in unemployment rates and increases in metropolitan level default rates have a negative impact on homeownership rates. In other words, metropolitan areas are predicted to have lower homeownership rates compared to other parts of the U.S.
An interesting avenue for future research would be to explore how changes in particular segments of the job market have impacted the location choice and housing outcomes of immigrants. Since immigrants are more likely to concentrate in particular industries, there is an expectation for them to be more adversely impacted when their employment is concentrated in the sectors (i.e. construction) that were devastated in the current recession. At the same time, Yu notes, immigrants are more geographically mobile if they do not have strong ties to particular areas, and may therefore move when job market conditions change. His point relates very well to the possible immigrant retention strategies discussed in the public policy workshop that relate specifically to the Atlantic region in Canada. If there were some initiatives put into place to economically encourage and support newly arrived immigrants into homeownership, this may be more incentive for them to stay and therefore have a higher retention rate.

Session two: Lisa Kaida, Memorial University
In Ottawa, there has been an increasing emphasis on the official language proficiency of new immigrants. This focus stems from some recent research findings that recent immigrants who don’t speak English or French are having a hard time in the Canadian labour market. Some argue that that may partially explain why recent arrivals to Canada are not doing that well compared to those who arrived in Canada earlier on (i.e. 1950’s – 1970’s). One policy option to ensure Canada’s immigrants language proficiency is to provide language training once immigrants come to Canada. In fact, Canada has a long history of offering language training, however, what remains puzzling in the current policy debate and policy shift, is whether that kind of host country language training really pays off. To date, there has been no research to empirically and systematically answer this question. In her presentation, Lisa Kaida presents results from a national-level longitudinal data, studying the movement from being in poverty to being out of poverty.

Dr. Kaida starts off by explaining how recent immigrants to Canada are not faring well compared to those from the past. Poverty has been on the rise over the past three decades, while it has been stable among the Canadian born. In order to address this concern, Kaida’s core research question is: “what makes a difference for new immigrants as they struggle to overcome their initial economic disadvantages?” She intentionally focuses on post-migration factors, which distinguishes her work from most other studies. Here, she evaluates the benefit of host country schooling for recent immigrants who experience poverty in their early settlement and the effect of language training on the exit from poverty.

She finds that host country language training actually does help new immigrants escape poverty. Enrolling in English/French language training has a positive impact on recent immigrants’ exit from poverty at least two years later. This is consistent with immigrant settlement policies and services discussed in the first panel of the public policy workshop, as well as Population Growth Division policy development that stress the importance of host country-specific skills in the economic
advancement of recent immigrants. Her results also suggest that while English/French language training is highly beneficial for low-income recent immigrants in general, host country education benefits only highly educated recent arrivals. This study underscores the importance of considering immigrants’ selectivity in host country schooling, as simple regression analysis can improperly estimate the true benefit of host country schooling.

The social policy implications that improving access to skills development will help recent immigrants to fare better. Canada does have a long history of providing language training to adult new immigrants (i.e. Language Instruction for Newcomers to Canada-LINC), yet, it is basic knowledge of official language to permanent residents (non-citizens). A number of studies report that LINC participants often express frustration that the program isn’t helpful to find jobs. Kaida’s study suggests this doesn’t necessarily mean that language training like LINC is useless. If selection into the language training is properly taken into account, language training is found to have a positive impact on lifting immigrants out of poverty. Moreover, since 2004, the Enhanced Language Training (ELT) program has been launched, which funds higher level job-specific language training combined with job placements. Furthermore, the importance of host country language skills is also increasingly reflected in immigration policy as well. Language testing is now a requirement for federal skilled worker class applicants and there’s an indication in recent months that a greater emphasis would be placed on official language proficiency in the point system for the skilled worker class.

Indeed, handpicking immigrants who are already fluent in the host country languages would be one option to ensure that new immigrants would have less economic challenges. However, it is also important to continue to fund settlement programs like LINC and ELT to facilitate the economic integration of immigrants who are already in Canada, as host country language training is empirically proved to be effective in helping immigrants move out of poverty. A question worth addressing in future research would be why language training helps immigrants to exit poverty?

**Session three: Byron Spencer – McMaster University**

In the third session, Byron Spencer presents research from a paper he co-authored with Frank Denton entitled: *Age of Pension Eligibility, Gains in Life Expectancy, and Social Policy*. Dr. Spencer discusses the topic of population and labour force aging in Canada, and looks ahead to the implications over the next quarter century. He indicates that because of the aging population and slow labour force growth by 2016 we will see the support ratio (defined as provider group relative to the population group) begin to decline. As troubling as this may seem, Spencer emphasizes that our support ratio is at an all time high, and that it is important to keep this in context as we move toward a growth in dependency ratios.

Directing our attention to the Expert Panel on Older Workers’ report (2009), Dr. Spencer indicates its focus on the potential role of higher participation rates among
older workers and to maximize participation rates among older workers (those 55+). Assuming participation rates remain where they are now, the labour force population (defined as anyone who participates within the labour force) aged 55+ has increased sharply beginning at 1996 and will continue to do so until 2016. Would a higher participation in that group (notably 55-64) offset population aging in terms of impact on productive capacity and on standard of living?

Based on a full demographic projection (the changing participation rates in the labour force, changing mortality rates, fertility rates are simply constant, continuation of immigration rates, etc.) an increase in participation in the case of males and to assume that females will continue to succeed in closing the gap by 2016, Dr. Spencer shows us that clearly it has a large impact on the size of the older labour force if you increase participation rates to that extent (a substantial increase of approximately 1.3 million people of 55+ in the labour force).

Spencer indicates that it would be quite possible in principle to have productivity growth to keep the economy growing at one percent each year. If that happens, the impact on productive capacity would go up to 1.6% by 2016. Yet, with higher participation rates, the need for productivity gains becomes less acute, and the need for productivity would be correspondingly lower up to 2016 by which time the participation rates no longer continue to increase.

Spencer’s findings are quite striking in a way. The labour force is certainly going to grow, even if older worker participation doesn’t. That is how the productive capacity of this economy is going to increase, but because the population is growing more rapidly than the labour force, we’ve got the downward pressure on income per capita (GDP growth per capita). That downward pressure could be offset by an increase in older workers, but a higher growth rate would last only while the participation rates are increasing, and doesn’t continue to add to the productive capacity. The productive capacity will grow just in line with the labour force once you’ve got those participation rates up to the highest point. More output could instead grow from higher productivity, which creates a real tradeoff. We could looking ahead get the same increase in output (30% increase in the older workforce) which is extremely significant, or we could have a modest gain in productivity without any increase in the participation rates of the older workforce. Conceptually we can see that we could get the same results that you would get with a modest gain in labour productivity would be all done and sustained there after (if you continue the productivity gains without any increase in the labour force participation rate of older workers).

Is it reasonable to expect relatively modest gains of labour productivity from an aging workforce? - Was an interesting question in the discussion that followed Byron Spencer’s presentation. Dr. Spencer responds by stating “looking ahead the change in the educational composition could be quite important. Even though the baby boom is as old as it is, there’s scope for increased productivity of younger workers coming into the labour force to offset that too”. Another way to think about
these results and contrary to any journalistic response, it only requires the slightest increase to productivity gains to offset any negative aspect of population aging that you can think of.

Another interesting and key question brought up in the discussion involved inquiring the possible tools so we have, to use, in order to increase productivity of the labour force (above the standard rate that is currently taking place). Specified in the policy workshop, Eric Beaulieu noted natural resources being an influential tool increasing productivity level of New Brunswick work force. Dr. Spencer emphasizes that we don’t really know how to increase older worker participation, however, eliminating mandatory retirement, facilitate and encourage people at older ages not to stop, and creating flexible job opportunities seems to help.

Session four: Christoph Eder, PhD candidate, Simon Fraser University
Presenting work from his Masters thesis, Displacement and Education of the Next Generation: Evidence from Bosnia and Herzegovina, in this session Christoph Eder discusses conflict and the consequences of this conflict. The long-term consequences of wars and conflicts can be substantial through the destruction of human and physical capital, infrastructure, and displacement. Displacement, being a consistent by-product of violent conflict, causes families to loose their social network, physical assets and often, family members. Contributions to this research area have focused on the effect on the generation of the displaced, however, Christoph has chosen to focus on the second generation, particularly how displacement of parents during a violent conflict affects investment in their children’s education years later on. How is the education experienced by the second generation influenced by displacement?

By exploring the second generation, Christoph is hoping for policy recommendations in order to influence the outcome of likely negative consequences. He uses the Bosnia War as a natural experiment for displacement in order to retrieve this randomization in displacement that he needed to identify the effect. He found that displaced parents spend about 30 percent less on the education of their children.

It is important to note that in Bosnia and Herzegovina, in general, requires parents to provide textbooks, uniforms, school materials, etc. to their children, which has given the opportunity to research inputs in educational production. And, he has found if he has changed the specification, the reduction of spending 30 percent is pretty robust to different regional areas and also to different categories in educational spending. This difference in spending on education has the potential to negatively affect the quality of education children receive. The estimated differences in the annual tuition paid for children in secondary school, indicates that children of displaced parents attend secondary schools of lower quality. The difference in education expenditure is robust to many specifications and a series of tests indicate that selection expenditure bias is not the source of the result.
He then goes on to describe what causes this reduction of spending. Is it a difference in income? Assets? Something else? He finds that the differences in income explain only one third of the baseline result. The employment of parents, enrollment and support from outside the household can be ruled out as the main mechanisms or source of why this reduction comes about. One explanation that was consistent with the pattern observed is that those displaced parents face a lot more uncertainty about the future or more rigid financial constraints than comparable households that were not displaced, five years after the war. That would lead them to cut back on every non-vital expenditure, including the education of their children.

Eder stresses that more work needs to be done to fully understand how violent conflict influences people's everyday lives. Research shows negative consequences of exposure to violence and displacement, but how and to what extent the changes in economic outcomes come about is not fully understood yet.

**Session Five: Casey Warman, Queen’s University**

Canada has a specific system to attract high skilled immigrants. Casey Warman wants to know is how well they fare when they come to Canada. Canada, like many immigrant-receiving countries, favours highly educated workers, and there is an expectation that immigrants will contribute to high skill sectors in Canada. In the past, education outcomes have seemed to be a way to assess their outcomes, however, both researchers and the current government would like to know how well they are doing in their occupation. Immigrants likely arrive with work experience, and the purpose of Warman’s research is to identify how well they can transfer those skills. More particularly, how well is the points system able to attract highly skilled immigrants? Does it bring in immigrants with specific skills? If they do attract high skilled immigrants, are they working in the jobs they brought them in for? And if there is a mismatch, what effect will this have on the earnings?

This paper incorporates both source country occupation and Canadian occupation. What lacks in previous literature, is the source country information. The dataset used for analysis comes from the Longitudinal Survey of Immigrants to Canada (this is the same dataset used by Lisa Kaida), which includes information that pertains prior to their arrival into Canada (i.e. detailed information on their occupation). To examine the ability to transfer their occupational human capital upon arrival, the O*NET dataset was also used. Casey’s research team created measures of skill requirements for each job, the quantity of skills for each (i.e. how much math skills does a job require; interpersonal skills, manual skills, etc.) and empirically assessing occupation dynamics in immigrants in the first four years of arrival -what types of jobs they acquire and what types of affects does this have on their earnings by matching these skills with their previous employment.

As is now well-known, each immigrant cohort has done progressively worse in the labour market in Canada, as judged by a steady decline in earnings. The main factors cited for this decline include language ability, education, and work experience. However, Casey notes, occupation may be a better reflection of an immigrant’s true
human capital. Further, studying occupational outcomes allows more detail by looking at approx. 500 jobs and what types of skills each of these jobs require. Casey and his team argue that search and information frictions in the labour market foment an incomplete transfer of occupational human capital from the source country to the host country. Some immigrants end up in unbefitting occupations, which generates discrepancies between the skills required on the job and the ones accrued prior to immigrating.

In order to address this concern, Casey and his research team developed a dynamic model to help conceptualize the transferability of occupational skills. They determine the type of quantity necessary of each occupation for these fundamental skills by creating a measure of five skills from the 3-digit occupation using O*NET data. The skills are than matched to the source country and host country occupations. Then how well the immigrants can transfer their skills are looked at, do they end up with jobs that require similar skills to what we expect their source country job to require. Finally they look at what the return is on source country and Canadian skills of weekly earnings and what the impact of potential mismatch has on these earnings.

Using a dynamic model of occupational choice and skill accumulation, their empirical analysis confirms that Canada’s point system is successful in admitting workers that have experience in occupations that should require high cognitive skills (i.e. math skills), and therefore tend to require low manual skills. However, once immigrants arrive they found a large mismatch. When entering the Canadian labour market, they settle for occupations that require not only lower cognitive skills but also higher manual skills then expected from their titled occupation. Although skills gaps are particularly large among immigrants with poor language ability, the misallocation cannot be fully explained by fluency in English and/or French. Immigrants with very good language skills and whose source country jobs required high levels of cognitive skills also experience skills mismatch after coming to Canada.

In terms of how these skill gaps impact the economic integration of immigrants, their results suggest from the earnings regressions that immigrants are not being compensated for the skills of their source country employment. Moreover, even the skills requirements of their Canadian jobs are not always translating into higher earnings. If immigrants to Canada were able to find employment that required similar skills to their source country jobs, one would expect of higher estimates of the returns to their skills. The results have shown slight improvements over the four years after arrival, yet skills gaps persist.

Source country of education seemed very important in their results. Immigrants received a large return for foreign education. Education therefore seems to act as a signal for employers. Once controlled for Canadian occupational skill requirements, these seemed like very good predictors of earnings. The job an immigrant obtains after arrival has a high impact on earnings.
Warman shows that it is occupational skills profile that predict how well an immigrant does in Canada. This advances the notion that previous literature shows that it is work experience that’s discounted, because most of the occupational skills that an individual’s work requires is likely to be required at least in part on the job, in previous country. So, it’s not actually work experience, it’s the skills that they acquire. Work experience is a crude indicator because the longer you work at a job, the easier and more likely it is to pick up on these skills that you’re going to need transferred into the market. So, could it be interpreted that the results suggest putting downward pressure on the age of immigration. As long as individuals have the skills that they need, their work experience doesn’t matter as much.

**Conclusion**

The Atlantic’s population concerns and challenges overlap with the rest of Canada and with those of other demographically mature countries of the West. Canada’s main demographic policy concerns boil down to two challenges: how to boost the country’s below-replacement level, and how to cope with the impending negative effects of population aging and labour force shortages. As the Assistant Deputy Minister of the Population Growth Division noted, a modest and achievable goal would be to increase total fertility to 1.8 children per women. Policy mechanisms for actualizing this target would likely include programs aimed at helping young couples (for example, Quebec’s five dollar daycare) achieve a better balance between work and family life. Canada could continue to rely solely on immigration as a demographic policy option, but this is not a problem-free solution. Immigration levels, even if they were to be increased substantially from their current targets, would bring only minor change to the age distribution of Canada’s population. Immigration policy should be exercised in conjunction with social policies along the lines suggested, not in isolation.