

Presentation Statement by Professor Charles M. Beach

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**“Employment-Based Permanent Immigration:
Examining the Value of a Skills Based Point System”.**

Charles M. Beach
Professor of Economics
and
Director, John Deutsch Institute for the Study of Economic Policy
Queen’s University
Kingston, Ontario Canada

1. **Background Features of the Canadian Immigration System**

The last decade has seen major changes in immigration policy in Canada, one of the leading immigrant-receiving countries and the one with about the highest per capita immigration rate in the world.

Figure 1 shows the profile of total immigration levels since 1980. In 1985, the total number of immigrants troughed at 84.3 thousand. The number then shot up in 1987 to 152.1 thousand and continued rising to above 250 thousand in 1992 and 1993. It then drifted down to 173.1 thousand in 1998 and then moved up again to above 250 thousand in 2001, from which it has continued in the 220-230 thousand immigrants per year range (out of a population of about 30 million). The main feature of these results is the distinct up-shift in total immigration levels in Canada beginning in the mid-1980s that has generally continued.

Figure 1 also shows the number of immigrants in the major immigrant classes. There are basically three such classes. Independent (or Economic) class immigrants are those immigrants (and their dependants) who are assessed for admission through a Point System. It includes business class immigrants in the entrepreneur, investor and self-employment categories, and a nominated or assisted relatives class since these applicants also have to be assessed under the Point System. The second major immigrant class is the Family class (family unification), and the third is the Humanitarian class (mainly refugees). The Family class immigrants are admitted solely on the basis of kinship. Applicants in the latter two classes are not assessed under the Point System. Figure 1 shows that the Family class and the Independent (or Economic) class are the two largest classes. One also notes from Figure 1 the marked cyclical nature of Economic class

inflows which generally increase in periods of economic growth in Canada and decrease during periods of recession (1981-83 and 1990-92), along with the general decline in Family class numbers since 1993.

Since 1980, there has also been substantial change in the country or region of origin of Canadian immigrants (see Figure 2). The most noticeable change here has been the increase in the numbers arriving from the Asia and Pacific regions and, to a lesser though still significant degree, from Africa and the Middle East. In the mid-1980s, the numbers of immigrants arriving from Asia and Pacific ran around 30-35 thousand a year, but by 1992 had moved up to over 100 thousand a year and peaked in 2001 at about 133 thousand arrivals. Those from Africa and the Middle East in the early to mid-1980s averaged around 8-9 thousand a year, but by 1991 moved up to over 40 thousand, and since 2000 arrivals have run between 40 and 50 thousand a year. Meanwhile, landings from Europe, United Kingdom and the United States have been relatively stable over the whole period with 41.8 thousand from Europe and the U.K. and 7.5 thousand from the U.S. in 2004. In percentages terms, though, they represent a declining share of the total inflow. There have also been fluctuations in the numbers arriving from South and Central America which averaged 14-17 thousand a year in the early 1980s, then moved up to 37 thousand by 1991 and have since eased off to 19-22 thousand a year since 2001. The main point here is that there has been a major shift in source country away from Canada's previously traditional source regions of the U.K., U.S., Western Europe, and English-speaking Commonwealth countries.

One of the distinguishing features of the Canadian system is that the Immigration Act gives Citizenship and Immigration Canada (CIC), through Cabinet approval and in

consultation with the provinces, considerable flexibility to set target levels for immigration flows by immigrant class and to make changes to the relative weights built into the Point System. No separate act of Parliament is required to make these year-to-year changes, so there is considerable flexibility in how the policy levers of the system can be adjusted.

Another distinguishing feature of the Canadian system is its Point System which was brought in in 1967 as an objective way to assess the admissibility of prospective immigrants while at the same time up-grading the skill level of new arrivals. Table 1 sets out the categories under which a prospective Independent candidate for admission is judged along with the maximum number of points in each factor and the pass mark needed to be admitted. The table covers the period from the introduction of the Point System in 1967 until recently. Despite major revisions to the Immigration Act over the last three decades (i.e., in 1978 and 2002), the Point System has remained at the core of assessing which Independent (or Economic) class immigrants will obtain entry visas.

Under the Point System, prospective immigrants originally needed to amass at least 50 out of a possible 100 points to obtain an entry visas (nominated relatives received a 15 point bonus to cover a short-fall in points earned in evaluating their case for admission). As Table 1 shows, prospective immigrants were judged on a wide variety of factors, for example, age, education, work experience, occupational demand, etc. Table 1 also shows that the weights assigned to these factors have changed over time. Indeed, some categories actually disappeared while new ones were introduced. Initially, at least, the weighting scheme for the first two decades after the introduction of this scheme in 1967 reflected past immigration policy in the sense that it focused on occupational needs

in the economy at a particular point of time. The total number of points awarded to occupational-directed categories (i.e., occupational skill, experience, occupational demand, and bonus points for designated occupations) totalled 43 out of a possible 100 points in 1986. The prospective migrant needed to get a certain number of points out of 100 to be admitted to Canada. It is not necessary to get points in every category. Hence a prospective migrant could score high points for education, age, etc., and zero for occupation demand, and still be admitted.

Now consider some of the skill characteristics of landed immigrants since 1980. In Table 2, sample means are presented for education and admission class for immigrants landed in Canada in 1980, 1990 and 2000. The proportion of immigrants with an undergraduate or graduate university degree rose dramatically over the period from 5.8 percent and 1.8 percent, respectively, in 1980 to 25.1 percent and 9.0 percent in 2000. The larger part of each increase occurred in the 1990s and is almost surely due to the reform of the Point System used to select immigrants to Canada under the skilled worker or Economic class category of admission. The changes in 1993 specifically led to a large increase in the weight placed on university education in selecting skilled immigrants.

In contrast, the proportion of new immigrants with post-secondary education below the university level rose from 16.5 percent in 1980 to 20 percent in 1990. However, it declined back to below its 1980 level at 15.6 percent by 2000. The other large change in the education distribution of newly landed immigrants over the period is the decline at the secondary education level – from 59 percent in 1980 to 35 percent in 2000. The overall result has been a fairly steady increase in the average years of education of arriving immigrants.

The distribution of new immigrants across the different admission categories has also varied considerably over the twenty year period. The proportion of new immigrants in the Economic category rose from 34.9 percent in 1980 to 44.2 percent in 1990 then to 58.7 percent in 2000. These increases coincided with decreases in the share of new immigrants arriving under the Family class (35.9 percent in 1980 to 26.6 percent in 2000) and the Humanitarian class (28.2 percent in 1980 to 13.2 percent in 2000). The larger part of the decline in the share of the Humanitarian category occurred between 1980 and 1990, while the larger part of the decline in the Family class (and the increase in the share of the Economic category) occurred between 1990 and 2000. The Humanitarian class intakes are, of course, largely influenced by refugee crises around the world.

2. Recent Major Reforms in Canadian Immigration Policy

The 1980s and 1990s saw three major changes in immigration policy in Canada. These also highlight three distinct policy levers available to policy makers. First, the approach to handling total immigration levels changed. Up until the middle 1980s, Ottawa had traditionally followed a “tap-on/tap-off” policy where immigration inflow levels were allowed to rise in periods of economic growth when there was a high absorption capacity for new labor market participants, and then the levels were purposely reduced in times of recession when absorption capacity was weak. In the middle 1980s, however, total immigration levels were substantially raised (see Figure 1) and then kept on at a relatively high level right through the quite severe economic recession of the early 1990s. This was done perhaps partly for political reasons. But it also marked the beginnings of a shift of perspective on immigration policy away from

short-run or cyclical objectives and towards a longer-run more economic growth-oriented perspective.

The second major change in immigration policy was shift away from an emphasis on Family-class immigrants and a family reunification role of immigration towards an emphasis on Independent or Economic-class immigrants (and their dependants). This occurred in the early to mid 1990s and was spurred on by the rapidly rising costs of immigration in the recession of the early 1990s and by a general public perception of abuses in the system at the time. But again, it illustrated an on-going shift of underlying perspective that immigration should be serving a skill development role for the economy and a policy tool to foster labor productivity and economic growth (which were lower in Canada than in the United States causing some concern in the Canadian government). So a priority became to raise the proportion of total immigrants who would be coming in under a skill-based screening system. (Policy also was changed to narrow the definition of “family” in the Family class category away from the previous extended-family definition to a more North American style nuclear-family concept.)

The third change, also in the mid 1990s, was to the Point System under which Economic class immigrants are evaluated for entry. Previously, the weights in the Point System had been based on an occupational preference or gap-filling or targeted employment model where specific occupational needs were identified and those applicants who could fill these needs were given preference for admission. But by the mid 1990s there was growing frustration with this approach. It was an attractive concept, but it was bedeviled by implementation problems in actual practice. To be useful, the program had to get into quite detailed occupational breakdowns (e.g., a civil engineer is

not the same thing as an electrical engineer), and these were very cumbersome to deal with by an administrative bureaucracy. There were also frustrating lags in identifying local labor market needs, aggregating this information up, and then conveying it in timely fashion to immigration offices abroad for dissemination to prospective applicants. By the time this process was done, the original labor shortage may no longer exist or – even worse perhaps – the economy was now in a recession and all applications were being put on hold. In general, this approach led to an unwieldy bureaucracy that was felt to be unresponsive and not sufficiently timely. It also led to criticism and frustration both abroad and at home. And there was wariness that the pace of industry restructuring (under NAFTA) and economic change would be speeding up with accelerating information technology developments.

So after an extensive review, in place of the gap-filling model was substituted an earnings or human capital model perspective. Under this approach, specific occupational needs were reduced in the Point System weighting scheme while additional points were awarded to education, age (particularly youthfulness as a proxy for flexibility and adaptability) and official language fluency (all three of these categories had been present from 1967 but were given lower weights than those categories dealing with occupational demand). The rationale for the change was that the higher prospective immigrants scored in these three categories the more easily they would adapt to their new home country and hence the more rapid their ascent to parity in earnings to similarly placed native-born workers. Thus by the mid-nineties, education, facility in one or both of the native languages (i.e., English and French) and age accounted for 59 of the 100 total points, with only 70 points needed for the pass mark. This shift in weights in Canada signalled a

move towards a longer-run view of immigration policy. Less emphasis was placed on gap filling and more on the factors that supposedly influenced the long-run adaptability of the new migrant.

This discussion, then, highlights the three policy levers I wish to focus on in this statement: (i) the total level of immigrant inflows in a year, (ii) the proportion of the total inflow in the Economic class category, and (iii) the Point System weights for the general skill levels of educational attainment, (youthful) age, and (English/French) language fluency. In the Canadian Point System, zero points are awarded for a principal applicant having less than a high school diploma, maximum points for a four-year university degree, and partial points for various types of high school and post-secondary training. In the case of age, full points are awarded for principal applicant's age between 21 and 49, and decreasing partial points for age further away from the 21-49 age interval. In the case of language, zero points are awarded if the principal applicant speaks English and French very haltingly, full points if they are fluent in both official languages, and partial points based on reading, writing and speaking of English and French.

3) **Impacts of the Point System and Policy Levers on Skill Characteristics of Canadian Immigrants**

The discussion in this section follows the analysis of a recent empirical study by Charles Beach, Alan Green and Christopher Worswick entitled "Impacts of the Point System and Immigration Policy Levers on Skill Characteristics of Canadian Immigrants" (March 2006) that has been provided to the Committee. This paper examines how changes in the above three immigration policy levers actually affect the skill

characteristics of immigrant arrivals using a unique Canadian immigrant landings database consisting of all immigrants who arrived in Canada between 1980 and 2001. The skill characteristics of arriving immigrants that are examined in this study are their level of education, their age, and their fluency in either English or French. We use regression statistical techniques to estimate reduced-form equations in order to investigate whether the above three sets of policy lever changes (as explanatory variables) have indeed had identifiable effects on these three skill characteristics (as dependent variables) of the arriving immigrants to Canada over the 1980-2001 period. These three skill dimensions are generally acknowledged as the major skill indicators for immigrants that the literature focuses on.

Several hypotheses are examined in this paper relevant to the effect on arriving immigrants' skill levels of our three policy drivers. The first refers to total immigration inflow rates: does a larger size of immigrant inflows reduce the overall skill levels of arriving cohorts as the larger numbers of immigrants are likely to be closer to the Point System cut-off line (in the case of Economic class immigrants) and to bring in more relatives (in the case of Family class immigrants) who generally adjust more slowly in integrating into the Canadian labor market? The second refers to Economic vs non-Economic class immigrants: do Economic class immigrants have higher average skill levels, and thus other things being equal, does an increase in the share of Economic class immigrants in response to shifting government priorities raise the overall skill levels of arriving immigrant cohorts since it is the Economic class arrivals who are essentially admitted on the basis of their skill? The third hypothesis refers to operation of the Point System: does increasing the Point System weight on some skill dimension – such as

educational attainment – indeed have the desired effect of raising overall skill levels of immigrant arrivals in this dimension? And the fourth refers to business cycle effects: does a weaker labor market in Canada result in attracting fewer skilled immigrants so that overall skill levels of arriving cohorts of immigrants are reduced? And, by extension, does a weaker labor market in the United States (a substitute destination), *ceteris paribus*, lead to an increase in the overall skill levels of immigrants selecting to come to Canada?

The answer to each of these hypotheses turns out to be “Yes”.

Five main findings arise from the empirical analysis of this paper and that may provide some useful input to the current U.S. debate. First, with respect to total immigration rates, it has been found that increasing overall annual inflows of immigrants lowers the average skill levels of the arriving cohort. This reduction in skill levels occurs most strongly for educational attainment of arriving immigrants, more moderately with respect to age of arriving immigrants, and very weakly (if at all) for official language fluency of immigrants. For example, raising total inflow levels by 100 thousand per year (or by about 35 percent from recent levels) is estimated to reduce average years of education of Economic class immigrants by 2.6 percent, to increase their average age by 1.7 percent, and to reduce the average rate of English or French language fluency by 0.2 percent.

Second, for a given level of total inflow, increasing the proportion of skill-evaluated or Economic class immigrants – at least in the way they are designated in the Canadian system – is found to raise the average skill levels of immigrants as a whole. Increasing the Economic class share in total immigration has its strongest effect on official language fluency of arriving cohorts, has a significant effect on average education

levels, and has a moderate effect on average age of arriving immigrants. For example, raising the Economic class share of total immigration by 10 percentage points is estimated to increase average levels of education of all immigrants by 1.5 percent, to reduce their average age by 2.0 percent, and to increase their official language fluency rates by about 2.7 percent.

Third, it is found that business cycle effects on skill level outcomes of immigrants to Canada are highly statistically significant, and generally operate so that higher Canadian unemployment rates reduce average skill levels of arriving immigrants and higher U.S. unemployment rates have the opposite effect.

Fourth, with respect to the operation of the Canadian Point System itself, it has been found that increasing the weights on specific skill dimensions within the Point System schedule indeed has the intended effect of raising average skill levels in this dimension among skill-evaluated applicants. Basically, the Point System does appear to work as it is intended. The strongest effects occur for education, moderately strong for language fluency of immigrants, and rather weak effects occur on age of arriving immigrants. For example, if there is a 10 percentage point increase in the weight allocated to a specific skill measure within the Point System, the result is that the average years of education of principal applicants are estimated to increase by 2.7 percent, their average age declines by 0.6 percent, and their average official language fluency rate goes up by 1.2 percent.

This study identified three broad sets of policy tools for bringing about improvements in immigrant outcomes. One is a change in the total rate of inflow of immigrants, the second is a change in the Economic class share of total immigration, and

the third is various changes in the Point System weights allocated to various skill dimensions. But which of the three policy tools appears to be most effective in bringing about desired changes in the skill outcomes of arriving immigrants? The proportion of Economic class immigrants seems to have the strongest across-the-board impact. The education outcome variable also stands out as being the most responsive among the three skill dimensions. In general, the Point System appears to have strong effects on education outcomes of arriving immigrants, moderate effects on language fluency outcomes, and rather weak effects on age outcomes of arriving immigrants.

4. **Conclusions and Recommendations**

We can identify two sets of conclusions: those based on the statistical analysis of policy lever effects, and those based on past Canadian experience with their Point System.

Turning first to the statistical results of the previous section, four points deserve mention:

- 1.1 Increasing the total inflow rate of immigrants lowers the average skill level of arriving immigrant cohorts.
- 1.2 Increasing the proportion of Economic class immigrants raises the average skill levels of immigrants as a whole.
- 1.3 Increasing the weight on specific skill dimensions within the Point System schedule indeed has the intended effect of raising average skill levels in this dimension among skill-evaluated immigrants. Basically, the Point System works as intended.

- 1.4 In terms of the relative effectiveness of the alternative policy levers:
- the proportion of Economic class immigrants seems to have the strongest effects;
 - the level of education of immigrants stands out as being the most responsive among the three skilled dimensions; and
 - the Point System appears to have strong effects on immigrants' education levels, moderate effects on language fluency outcomes, and rather weak effects on the average age of arriving immigrants.

Turning next to the lessons from Canadian experience with their Point System, one can highlight several further points:

- 2.1 A human capital-based Point System seems to be an improvement over an occupational preference-based system because of operational problems with the latter.
- 2.2 By bringing in a Point System (applied to a skill- or occupation-evaluated class of immigrants), you would gain useful policy tools which can have effects of raising average skill levels of arriving immigrants.
- 2.3 If bringing in a Point System for a class of immigrants, try to keep it relatively simple and transparent and based on a relatively small number of skill dimensions such as education, age and language fluency.
- 2.4 If bringing in a Point System with substantial weight placed on the education level of immigrants, give some attention to how to deal with issues of foreign credential recognition.

- 2.5 If bringing in a Point System, allow for some input from local and regional authorities on their evolving labor market needs.
- 2.6 If bringing in a Point System, you might give some thought to allowing points for the spouse's or family unit's skill characteristics rather than just the skill characteristics of the principal applicant of the family unit.
- 2.7 If bringing in a Point System, one can allocate points for designated occupational needs, so use of a Point System can be viewed as complementary to an occupational gap-filling approach rather than a direct alternative to it.

Charles Beach was born in Montreal in 1947. He attended McGill University and did his PhD at Princeton University. Since 1972 he has taught economics at Queen's University in Kingston, Ontario, Canada. His areas of research have been on applied labor market analysis and distribution of income. He is co-editor (with Alan Green and Jeffrey Reitz) of *Canadian Immigration Policy for the 21st Century* (McGill-Queen's University Press, 2003) and co-author (with Alan Green and Christopher Worswick) of "Impacts of the Point System and Immigration Policy Levers on Skill Characteristics of Canadian Immigrants" (2006). He is also program director on immigration for the Canadian Labour Market and Skills Researcher Network.

Table 1
The Canadian Points System Over Time¹
(Maximum Points)

Factor	'67	'74	'78	'86	'93	'97 ²
Education	20	20	12	12	16	16
Experience	--	--	8	8	8	8
Specific vocational preparation or education training factor	10	10	15	15	18	18
Occupational demand or occupational factor	15	15	15	10	10	10
Age	10	10	10	10	10	10
Arrange employment or designated occ.	10	10	10	10	10	10
Language	10	10	10	15	15	15
Personal suitability	15	15	10	10	10	10
Levels adjustment factor ³ or demographic factor	--	--	--	5	8	10
Relative ⁴	5	5	5	--	--	--
Kinship bonus ⁵	--	--	--	10/15	5	5
Destination	5	5	5	--	--	--
Total	100	100	100	95-105/ 110	105- 110	107- 112
Pass Mark⁶	50	50	50	70	70	70

Source: Green and Green (1999), p. 433, plus updated information from CIC.

¹ A discretionary allocation that can be used to control the number of persons entering over a period.

² Source: Statutory Orders and Regulations 97-242 and Citizenship and Immigration Canada policy manual (Overseas Processing) chapter 5 under the Immigration Act 1976.

³ The pass mark varies by skill level.

⁴ Relative factor was eliminated as of 1986 as a selection factor for Independent/Skilled Worker applicants.

⁵ January 1, 1986 regulatory change established a "kinship bonus" for "Assisted Relative" applicants. Prior to the 1986 change, "Assisted Relative" applicants were not assessed on the following factors: Arranged employment, Language, Relative and Destination. Total and Pass Mark varied under each regime for the Assisted Relatives.

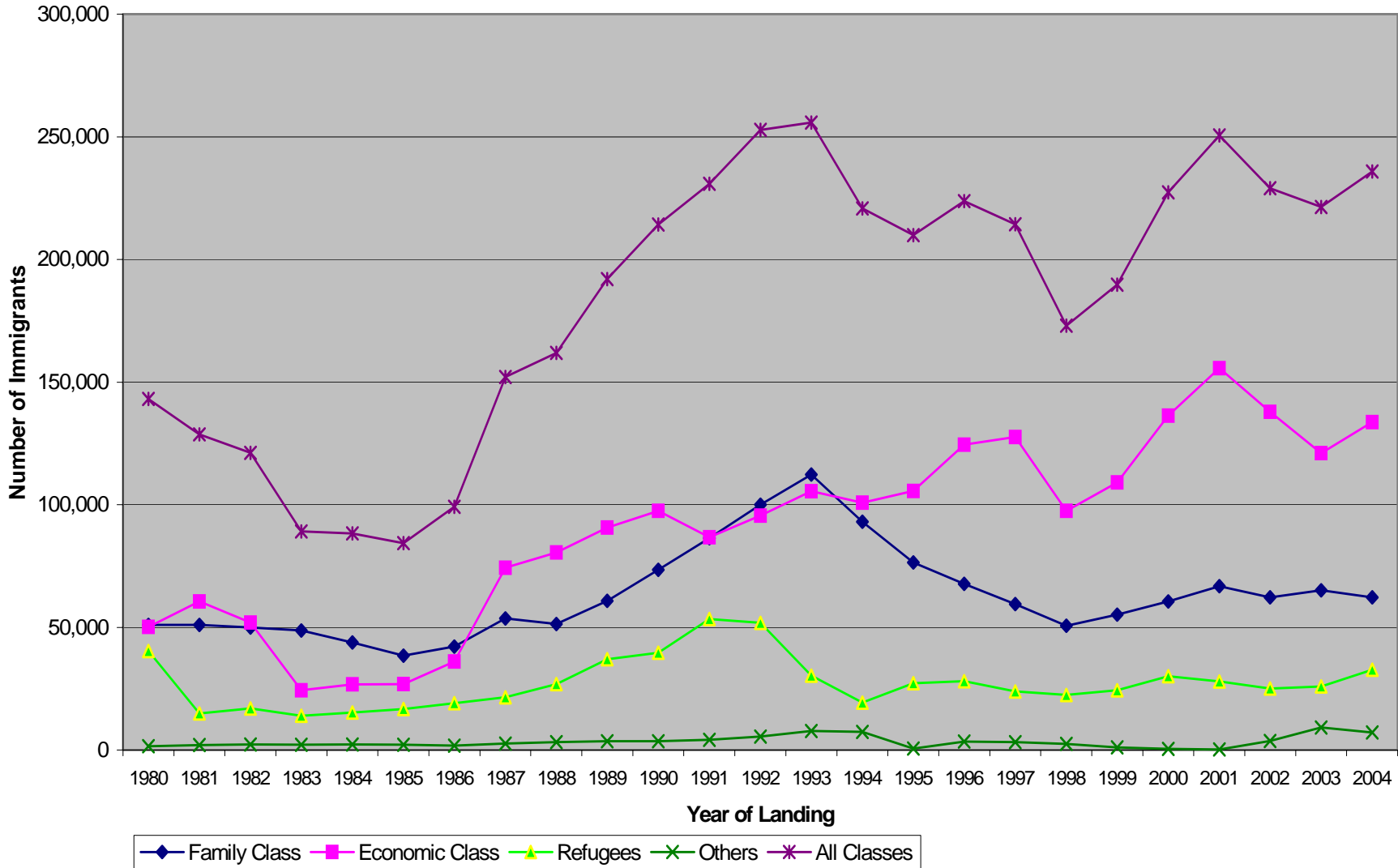
⁶ The pass mark applied to the Independent/Skilled Worker applicants.

Table 2
Immigrant Characteristics at Landing
Level of Education and Admission Category, 1980, 1990, and 2000
(proportions)

	Canada		
	1980	1990	2000
Education			
University – Post-Graduate	.0177	.0289	.0902
University – Undergraduate	.0583	.1100	.2506
Post-Secondary	.1645	.1996	.1558
Secondary	.5898	.5316	.3526
Elementary or Less	.1676	.1297	.1507
Admission Category			
Economic	.3486	.4419	.5870
Family Class	.3587	.3436	.2663
Humanitarian	.2819	.1668	.1322
Other	.0108	.0477	.0145
Total Number of Landings	143,136	216,402	227,313

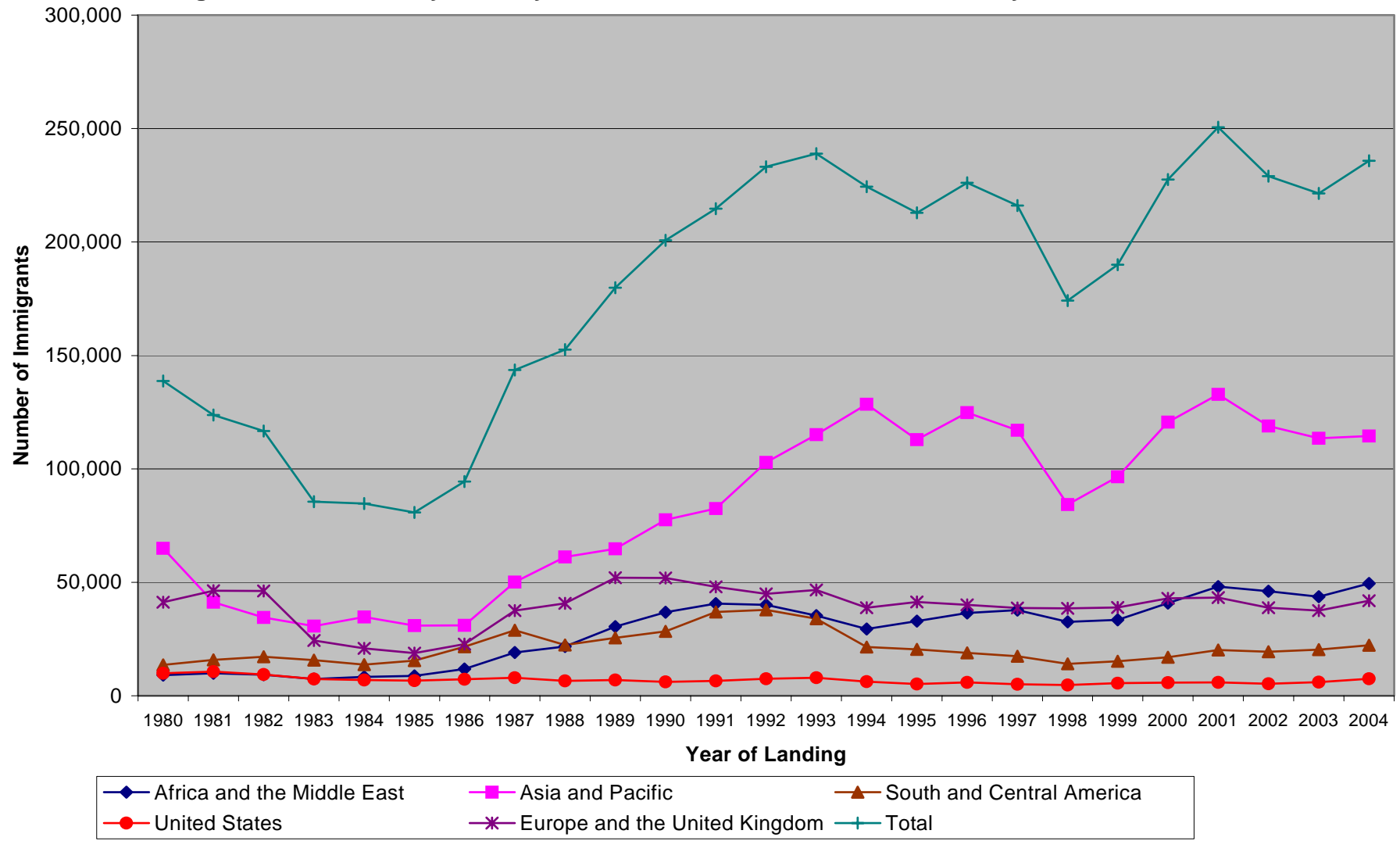
Source : Calculations by the authors from the CLD data.

Figure 1
Total Immigrants to Canada by Class, annually, from 1980 to 2004



Source: Citizenship and Immigration Canada, 1980-2004

Figure 2
Immigrants to Canada, by Country of Last Permanent Residence, annually, from 1980 to 2004



Source: Citizenship and Immigration Canada, 1980-2004