Intelligence MEMOS

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To: Immigration Policymakers

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Re: WHO ARE WE SELECTING, AND WHO IS STILL IN THE MIGRATION POOL?

Canada needs to attract top talent through economic immigration to fuel economic growth and productivity.

However, since 2021, selection criteria for economic-class immigrants have shifted to prioritize current labour market needs and other objectives. This means many applicants with higher scores, and presumably more potential, are being rejected if they don't work in a targeted sector.

Canada **uses** the Comprehensive Ranking System (CRS) to select candidates from the Express Entry (EE) pool, assigning points to various characteristics like age, language proficiency, education, and work experience to create an overall score. Last June, the government introduced category-based selection to target French-speaking applicants and those in specific occupations such as healthcare, STEM, trade, transport, and agriculture to address labour shortages.

Since then, a distressing trend has surfaced: The minimum cut-off scores for category-based applicants have decreased, while scores for remaining applicants have increased. The minimum 2023 cutoff scores for STEM, transport, healthcare, trades, agriculture and agri-food, and French language proficiency were 481, 435, 431, 388, 354, and 336, respectively. In contrast, the cutoff score for general selection surged from 486 to 561.

This has led to entry for candidates who would not have otherwise been qualified. Consequently, fewer highly skilled workers with higher CRS scores have been selected. In other words, the category-based selection has created a trade-off, where highly skilled workers are exchanged for low-skilled workers, weakening our talent pool. This trend not only diminishes the quality of new economic immigrants but also raises concerns about their ability to earn enough to thrive.

The most recent cut-off score for general draws was 529. This means that the score of 510 for a 26-year-old single professional, proficient in English, possessing a Canadian bachelor's degree and three years of Canadian work experience, would not be sufficient.

This is despite the fact that this is precisely the kind of immigrant most likely to thrive. Research shows that immigrants who were former international students in Canada earn significantly more than immigrants educated abroad. Similarly, skilled immigrants transitioning from temporary foreign work to permanent residency have higher annual earnings than their one-step counterparts with similar characteristics.

As of February 27, there were 211,487 candidates in the EE pool, with a diverse array of scores. Approximately a third of these candidates possess CRS scores exceeding 451, a threshold that could have ensured selection based on 2019 CRS cutoff scores. However, only 15 percent of them in the general category, those with scores over 500, have the potential to be selected based on current draws.

The inconsistency and unpredictability of the CRS system create confusion for potential candidates navigating the system, especially those who rely on previous scores as a benchmark for application.

With no predictability, unsuccessful applicants lack clarity on the score needed for selection and the human capital investments required for improvement. This uncertainty, combined with the limited spots available for stronger candidates at the higher end of the spectrum in the general pool, may prompt high-skilled applicants to explore opportunities in other countries.

Canada's CRS system must fulfill its intended objective of enhancing Canadians' living standards through economic immigration. Achieving this necessitates prioritizing highly skilled candidates with higher predicted earnings. This focus on higher-skilled immigrants not only offers economic advantages for newcomers but also incentivizes businesses to invest in productivity-enhancing technology to address the shortage of low-skilled workers.

Governments have various avenues to meet their objective of addressing labour market needs, including Temporary Foreign Worker and International Mobility Programs. As of January 1, the number of non-permanent residents had increased to 2.66 million, with about 65 percent holding a work permit. Some, including asylum claimants, likely face high unemployment rates, representing an untapped pool of labour for employers. Furthermore, recent immigrants, regardless of their education level, experience higher unemployment rates than their Canadian-born counterparts. The underutilization rate is also higher among immigrants. Integrating immigrants from diverse pathways into the Canadian labour market is therefore crucial.

The current approach of category-based selection prioritizes short-term labour market needs and includes non-economic objectives over the long-term success of immigrants by excluding many highly skilled individuals.

As the pioneer with the world's first points-based system, Canada should strive for a more transparent and effective immigration process. The federal government needs to reassess its approach and refocus on prioritizing quality over short-term scrambling to fill sectoral shortages or meet non-economic objectives.

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