

# Intelligence MEMOS



From: Parisa Mahboubi and Tingting Zhang

To: Labour Force Watchers

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Re: CANADA'S MISSED OPPORTUNITY: THE UNTAPPED POTENTIAL OF IMMIGRANT TALENT

Canada is squandering a vital resource in its skilled immigrants. Newcomers drive population and workforce growth, which makes their full integration into the labour market more critical than ever. Yet many are trapped in roles far below their qualifications.

More than a quarter of recent immigrants ([26.7 percent](#)) with a bachelor's degree or higher work in positions requiring only a high school diploma or less. This is three times higher than the rate for their Canadian-born peers, according to Statistics Canada. While recent immigrants struggle with integration, even established immigrants face persistent overqualification. This is a longstanding systemic failure with broad economic consequences.

Our recent C.D. Howe Institute [report](#) highlights the economic toll of this failure: Overqualified immigrants earn, on average, 46 percent less than non-immigrants working in the fields for which they trained. This wage gap leads to reduced consumer spending, lower tax revenues and strains on social programs and public finances. Overqualification also limits career progression, reduces life satisfaction and increases the likelihood of immigrants leaving Canada. In fact, the country has seen a significant rise in departures in recent years, reaching its [highest level](#) in two decades.

The barriers are complex. Credential recognition remains a massive hurdle, with employers often struggling to assess foreign qualifications. Factors such as the quality of education, language proficiency and [Canadian work experience](#) play critical roles, compounded by hiring biases and discrimination. Our analysis shows that immigrants educated outside Canada face significantly higher odds of overqualification, especially those educated in Southeast and Southern Asia. This points to a perceived quality gap in foreign education, compounded by language barriers and other systemic challenges. Similarly, immigrants with degrees in the trades, business or non-STEM fields are at greater risk of overqualification than those with STEM qualifications.

Canada's immigration system is partly to blame. While it prioritizes educational attainment and work experience as key human-capital factors, Canada mainly considers the quantity of these qualifications, not the quality. Once here, many immigrants discover that employers undervalue their foreign credentials and experience. The system also places insufficient emphasis on language proficiency, which is crucial for successful integration. Language-training services are available to newcomers, but participation rates remain low. Licensing and certification requirements in regulated professions, particularly in health care, further exacerbate the problem, preventing qualified immigrants from practising in fields where their labour is urgently needed.

Employers also struggle to tap into immigrant talent effectively. Among the 81 percent of Toronto-area [organizations](#) reporting challenges in immigrant hiring, for example, difficulties include understanding foreign credentials and verifying international references. After hiring, many employers cite English proficiency and unfamiliarity with Canadian workplace culture as the most significant hurdles to integration.

To fully harness immigrant talent, Canada must act. The Express Entry system should place greater emphasis on language ability and incorporate educational criteria that consider the reputations of institutions, fields of study and academic grades – elements often overlooked but crucial for predicting successful labour-market integration. Pre-immigration earnings of immigrants from prior Canadian work experience should also be factored in, as they serve as a strong predictor of immigrants' economic value and their ability to integrate into the workforce without facing overqualification.

Streamlining the recognition of foreign credentials and offering clearer guidance on licensing are equally important. Provincial governments need to collaborate with regulatory bodies to simplify and accelerate the recognition process for foreign qualifications. BC and Nova Scotia recently expedited their approvals for health care professionals, showing the potential of such collaboration. At the same time, regulatory bodies should revisit and modernize their licensing processes to reduce red tape and ensure that the requirements are not excessively burdensome.

Immigrants need better support navigating complex recertification processes. Provincial regulatory bodies can partner with professional associations to develop clear licensing roadmaps for regulated professions so that skilled immigrants can better understand their options. Governments also need to expand access to culturally relevant language training and rigorously evaluate settlement programs to scale up what works.

Employers also need to step up. Today, only [15 percent](#) of employers in Toronto work with immigrant-serving agencies, missing out on a wealth of untapped talent. Promoting job-matching programs, raising awareness of credential-assessment services and connecting with immigrant-serving organizations can bridge gaps. Governments can facilitate this by developing comprehensive databases of credential equivalencies.

Canada's highly educated immigrants represent a vast, underutilized resource. Addressing systemic barriers is not just about fairness – it's about ensuring the country's long-term prosperity. With bold action and collaboration, Canada can transform this missed opportunity into a major economic advantage.

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