China and Canada: Economic linkages, migration and the Canadian labour market

Canada-China Human Capital Dialogue
Ottawa
November 28, 2012
Outline

- Canada-China economic linkages
- Key global labour market drivers
- Migration and the Canadian labour market
- Chinese migrants to Canada
  - Migration flows
  - Chinese immigrants: educational attainment
  - Chinese immigrants: labour market outcomes
- Looking forward
Canada-China economic linkages
Growing linkages between Canada and China

- **People:** 4% of Canadians (1.35M people) are of Chinese birth or ethnic background; China is the largest source of migrants to Canada.
- **Trade:** China is now Canada’s 2nd largest trading partner, after only the US.
- **Investment:** China (PRC) is the 9th largest source of foreign direct investment in Canada.

*Includes both Hong Kong and the People’s Republic of China
Source: Industry Canada, Statistics Canada, Conference Board of Canada*
“Our Government continues to strengthen its ties with China.

Our Government will continue to actively engage with China to explore how to best enhance our growing bilateral trade and economic relations.

The potential for increased Canadian investment in China is significant given that China is expected to become the world’s largest economy by 2020.

In February 2012, Canada announced that after 18 years of negotiation Canada and China had concluded a Foreign Investment Promotion and Protection Agreement. This landmark agreement will facilitate investment flows between Canada and China by providing a more stable and secure environment for investors on both sides of the Pacific.”

Budget 2012
Key global labour market drivers
Demographic change

- Canada and China have both now passed the peak of their “demographic dividend” – the rise in working-age share of population that contributed significantly to growth in living standards in both countries.
- Impending declines in the working-age share of both countries’ populations will exert downward pressure on their aggregate participation rates, requiring accelerated productivity growth to sustain living standards.
- In 2010, the working-age (15-64) proportion of the two countries’ populations were:
  - 74.5% for China (one of the highest proportions); and 69.4% for Canada.

**Ratio of working-age to non-working age population**

Globalization and the shift to emerging economies

- Global economic linkages are growing rapidly, including global flows of goods and services, investment, and people, resulting in a more integrated global labour market.
- The global economic centre of gravity has shifted toward emerging economies, which now account for almost all global growth; China has led the world in economic growth.
- Growth in emerging market economies has generated upward pressure on commodity prices, driving a westward shift in the Canadian economy.

Sources: IMF, World Economic Outlook Database
Globalization: growing international migration flows

- Globally, there are 214 M international migrants, of whom 90M are workers.
- Canada is one of the largest immigrant-receiving countries in the world; immigrants represented 21.3% of population in 2010 (versus 21% in Australia, 13.5% in US).
- China receives few immigrants; they represented just 0.1% of the population in 2010.
- Emigrants represent 4.2% of the Canadian population and 0.6% of the Chinese population; Canada is a net importer of people, China a net exporter.

Technological change and demand for higher skills

- Technological change consistently linked to higher job skill requirements worldwide.
- In advanced economies, employment growth has been strongest in highly-skilled jobs.
- In Canada, job growth in occupations requiring a university degree has far outpaced growth in other occupations, resulting in a rising labour market share of highly skilled jobs.

**Employment share and employment growth by job skill level, Canada, 1990-2011**

Source: Labour Force Survey, calculations by HRSDC.
Skills supply: global educational attainment has risen rapidly

- Rates of postsecondary education (PSE) attainment have doubled in advanced economies and more than doubled in developing economies over the past 30 years.
  - Worldwide, the supply of working-age people with completed PSE has risen by 500M, with 60% of this increase coming from developing economies.
- China has prioritized increases in educational attainment, raising average years of schooling and generating rapid growth in the number of Chinese PSE graduates.

Graduates from postsecondary institutions, China

“While China will be eclipsed as the world’s leading source of low-cost labour, it will assume a new and potentially more important role as the largest supplier of college educated workers to the global labour force.” (McKinsey 2012)
Canadian postsecondary attainment levels are high and rising

- Canada is a top performer in terms of overall PSE attainment; 51% of the adult population (25-64 years old) had a postsecondary degree or diploma in 2010.

- Canada’s college participation is particularly high.

- However, while Canadian university enrolment rates continue to rise, especially among women, Canada’s university attainment ranking has slipped as other countries’ enrolment rates have risen even faster.

However, demand for highly skilled workers may be rising faster than supply

- Internationally, one recent projection indicates that the global supply of workers with PSE will be inadequate and there will be an oversupply of workers without PSE by 2020.
- Canadian and US evidence show rising earnings premia for PSE, suggesting that domestic growth in demand for highly educated individuals may be exceeding growth in supply, especially in STEM fields (Science, Technology, Engineering and Mathematics).

**Median earnings premia of Canadian-born men with bachelor’s degrees, ages 25-64, in labour force**

*Sources: McKinsey 2012; Congressional Budget Office 2011; Census Canada 2006, HRSDC calculations*
Migration and the Canadian labour market
Immigration represents a significant source of future labour supply

- As the rate of growth of the domestic labour force slows, immigrants represent a rapidly increasing contribution to net labour force growth.
- Within five years, virtually all of Canada’s net labour force growth will come from immigration; although school leavers will continue to account for most (82%) new labour market entrants.

Canada is a destination for highly skilled immigrants

- Canada experiences net in-migration of highly skilled immigrants.
- Selection criteria favouring highly educated immigrants have resulted in a very qualified pool of recent immigrants; Canada’s immigrants are among the most highly educated immigrants internationally.
- China currently experiences net out-migration of highly skilled migrants.

Recent immigrants are significantly more educated than Canadian-born persons

- Recent immigrants (5 years or less) are more highly educated than Canadian young people, the comparator group of new labour market entrants:
  - 49% of recent immigrants (ages 25-54) in the labour force have a university degree, compared to just 31% of youth 30-34, and 21% of prime-age Canadian-born persons.

Source: Labour Force Survey
… and so they contribute disproportionately to Canada’s human capital

- Immigrants account for 20% of new labour market entrants, but represent:
  - 27% of new entrants with undergraduate degrees;
  - 36% of new entrants with graduate degrees.

- In certain fields, recent immigrants are even more highly represented. Among persons with Science, Technology, Engineering and Mathematics (STEM) credentials, immigrants account for:
  - 21% of those with college credentials,
  - 44% of university undergraduate degrees, and
  - 60% of STEM university graduate level degrees.

- Research indicates that immigrants also contribute disproportionately in the areas of entrepreneurship and innovation (Conference Board, Kaufman Foundation).

### Percentage distribution of new labour market entrants by educational attainment, and by immigrant / school leaver status (2012)

- **Less than Post-secondary Education**
  - New immigrants: 15%
  - Youth / school leavers: 85%

- **Post-secondary certificate or diploma**
  - New immigrants: 13%
  - Youth / school leavers: 87%

- **Undergraduate degree**
  - New immigrants: 27%
  - Youth / school leavers: 73%

- **Graduate degree**
  - New immigrants: 36%
  - Youth / school leavers: 64%

*Source: Labour Force Survey*
But there is a widening earnings gap between immigrants and Canadian-born

- In particular, the premium for immigrants postsecondary education has been falling over time, whereas the premium for Canadian-born PSE has risen.
- Research points to a range of explanations, including: lack of official language fluency; negative effects of high unemployment rates at the time of arrival in Canada.

**Median earnings premia of men with bachelor’s degrees by immigration status, ages 25-64, in labour force**

Source: Census, HRSDC calculations
Foreign credentials are often discounted by the Canadian labour market

- Immigrants with Canadian PSE credentials have, in general, labour market outcomes far superior to those with credentials from outside Canada.

*Source: Census 2006.*
Chinese migrants to Canada: Migration flows
China is the top country of origin overall for migrants to Canada

- In 2011, migrants from China (PRC) accounted for:
  - 22% of all foreign students (1st among source countries);
  - 11% of all permanent residents (2nd); and
  - 1.4% of all temporary foreign workers (14th).

**Migrants to Canada by category and source country, 2011**

- **China (PRC)**: 53,092
- **US**: 48,148
- **India**: 43,873
- **Philippines**: 43,282
- **France**: 26,712
- **UK**: 18,294

*Source: CIC Facts and Figures*
A rising proportion of Chinese migrants to Canada are students

- China accounted for 22,000 of 98,000 foreign students entering Canada in 2011.
- Overall foreign student entries to Canada have risen, from 66,000 in 2004.

Source: CIC Facts and Figures
Chinese immigrants: Educational attainment
Over half (56%) of Chinese-born persons in Canada ages 25-54 have a university degree.

*Chinese Immigrants compared with total population
Source: 2006 Census
Successive cohorts of Chinese immigrants have been increasingly highly educated

- Nearly three quarters of recent immigrants from China (25-54), have a university degree.

**Distribution of Chinese-born by educational attainment and period of immigration, ages 25-54**

Source: Census 2006
Young Chinese immigrants have high levels of PSE participation

- Young Chinese immigrants are much more likely than other young immigrants to attend university, with attendance rates of 88%.

Participation rate of young immigrants (age 21) in university, by area/country of origin

Source: Ross Finnie and Richard Mueller, 2010
...and 2\textsuperscript{nd} generation Chinese-Canadians also outperform other groups

- 2\textsuperscript{nd} generation Chinese-Canadians are significantly more likely to have a university education than other groups.

Proportion of second generation with a university degree by source country of parents, individuals ages 25-43

Source: “Making it in Canada” Sweetman and Picot, Census 2006
Chinese immigrants: Labour market outcomes
However, high educational attainment is not always reflected in labour market indicators.

Source: Census 2006
... and high levels of educational attainment do not necessarily result in high skill jobs

Skill level of occupation by location of postsecondary study

Source: Census 2006, StatsCan “Employment outcomes of PSE immigrants”
Labour market performance improves with duration of residence in Canada

Labour market indicators for Chinese-born by period of entry, ages 25-54

Source: Census 2006
Looking forward
Key issues affecting Canada-China linkages and human capital flows

- **Trade**
  - Agreement to proceed to exploratory discussions on deepening trade and economic relations; implications for migration
  - Temporary entry is a key part of all trade agreements

- **Investment**
  - Foreign Investment Promotion and Protection Agreement (2012)
  - Natural resources, manufacturing are key sectors

- **Immigration policy**
  - Articulated Government of Canada goal of better aligning immigration policy with labour market needs
  - Changes to Federal Skilled Worker Program (greater weight for official language ability, Canadian experience)
  - Recent federal-provincial agreement to implement Expression of Interest model
  - Canadian Experience Class (expedited, more flexible pathway to permanent residence is expected to assist international students)

- **Other migration policies**
  - Foreign students (recent Advisory Panel recommendation that foreign student numbers in Canada be doubled by 2022)
  - International youth exchanges
  - Temporary foreign workers
Investments in human capital, and ensuring that existing human capital is fully utilized, are central to growth in productivity and living standards in all countries.

“Advanced economies will succeed on the strength and quality of their human capital. ... In fact, a government could choose to make human capital central to its economic development strategy, on the theory that where the best talent resides, innovation will thrive and investment capital will flow to support all kinds of economic activity.”