Enhancing Labor Mobility in Alberta: The Role of Immigration, Migration, and Other Factors

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Abstract

Since the rapid decline in the price of oil in mid-2014, the Alberta economy has been experiencing one of the worst recessions in its history. Prior to this time, the province's labor market had unemployment rates much lower than the Canadian average, workers flowed into the province from elsewhere in Canada and abroad, and acute labor shortages were prevalent in many occupations, industries and geographical areas. In short, labor mobility was an issue. This paper will discuss labor mobility at both the extensive and intensive margins, showing past trends and offering the most promising avenues to enhance this mobility when the province again returns to a state of prosperity.

Keywords: Alberta, labor mobility, migration, immigration

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I. Introduction

Prior to the beginning of the most recent decline in energy prices in mid-2014, the unemployment rate in Alberta was the lowest in Canada, oscillating in the 4-5% range and about 2-3 percentage points less than the national average. There was great concern about labor shortages in parts of the province, as well as in certain occupations and industries. Plenty of ink was used to explain the virtues (or lack thereof) of using foreign and out-of-province workers to satiate a labor market so desperate to fill positions.

Today the situation is markedly different. The provincial unemployment rate as of August 2016 was 8.4% and 1.4 percentage points above the national average of 7.0 percent.\(^1\)

For the purposes of what follows, we will assume that Alberta’s economy will recover at some point in the future, the unemployment rate will decline, and talk again will return to how to best identify labor shortages and, in turn, how these shortages can be filled.

II. Labor Mobility: The Intensive and Extensive Margins of Labor Supply

A standard treatment of labor supply discusses its growth at both the extensive and intensive margins. The former is the result of increasing the number of *individuals* who may potentially enter the labor force. In other words, the overall population has to increase. This can be accomplished through a combination of domestic births, immigration and interprovincial migration.

The intensive margin increases the *productivity* of those already in Alberta. In general, this means increasing the intensity of labor force and/or increasing the productivity of existing workers. Similarly, underrepresented groups such as indigenous people may be used more effectively. Or productivity could be enhanced by increasing the breadth and depth of skills that Albertans possess.

A. Extensive Labor Market Growth

There are only three ways to increase population: higher birth rates, more immigrants, and increased numbers of migrants arriving from other Canadian provinces.

(i) Birth Rates Are Below Replacement Levels

Although the total fertility rate per female has increased to 1.61 in 2012 from 1.49 in 2000 for all of Canada – and higher still in Alberta with a rate 1.76 in 2012\(^2\) – these are still well below the oft-cited replacement rate of 2.1 which last occurred in Canada in 1971 (Milan, 2014). Barring a radical change in the fertility patterns, increasing the labor supply via natural increases is a nonstarter and so Alberta is forced to look outside of its borders to increase labor at the extensive margin.

(ii) Relative Interprovincial Migration is on the Decline

For Alberta, as for all regions in Canada, the ability to satisfy high labor demand is no longer likely to occur through interprovincial migration. Data at the national level reflects a downward trend: in 1972, about 1.8% of the Canadian population moved between provinces annually. This hit a peak of 1.95% two years later and has steadily declined to 0.81% in 2015.\(^3\)

Figure 1 shows that while Alberta has higher-than-average interprovincial migration rates, it has still experienced the same downward trend in in-migration. In the 1970s, Alberta attracted four to five percent of its population annually, compared to about two percent more recently. Out-migration has also trended downwards over this period.
As a result of these two forces, net migration to Alberta has been less than one percent of the population since 2006/2007.

Other contributing factors to this slide have been more Canadians migrating within their own province (Meredith, 2014b) or living in one province or working in another, i.e., interprovincial employees, which accounted for between 3 and 6 percent of the provincial workforce before the most recent downturn (Morissette and Qui, 2015; Laporte, et al., 2014). Today, there is plenty of anecdotal evidence that the perks that attracted these interprovincial workers have largely been eliminated, with the Fort McMurray fires of May 2016 also contributing to this exodus. Even if the proportion of interprovincial workers were to return to their previous levels, this would still represent a relatively small proportion of the Alberta labor force.

What is the impetus for this decline in interprovincial migration? Bernard, et al. (2008) show that individuals in slack local labor markets are inclined to migrate to another province. Bernard (2011) refines this argument by saying that changes in regional economic conditions only have a negligible impact on residents migrating, except when their own income is affected in which case the probability increases. Indeed, the fact that there has been a convergence in labor market conditions between provinces has been cited as the reason for this decline (Cross, 2015; Meredith, 2014b; Carey, 2014). Other important factors contributing to this decline are the aging population (Cross, 2015), increased homeownership (Carey, 2014), and the regional differences in the incentives of employment insurance program (Carey, 2014; OECD, 2014).

Credential recognition and differences in occupational regulations are also impeding the flow of workers between provinces. Burleton, et al. (2013) note that governments are attempting to remove barriers to interprovincial migration: Red Seal trades, for example. And in 2009 provincial and territorial governments agreed to update the Labour Mobility Chapter of the Agreement on Internal Trade to ensure that professional certificates and licenses are recognized across jurisdictions. Still progress to harmonize occupational regulations and licensing requirements has been slow (Meredith, 2014b). Carey (2014) notes the Canadian governments have taken a variety of steps to reduce the regulatory barriers. He says that the recognition of Red Seal trades was an early movement in this direction. The New West Partnership Trade Agreement, which has been fully implemented since July 1, 2013, is an accord between the Governments of British Columbia, Alberta and Saskatchewan that creates Canada's largest, barrier-free, interprovincial market. It is also designed to facilitate labor mobility. Research on the effects of these programs, however, is lacking.

Another factor which may be obstructing the once higher rates of interprovincial migration may be the Temporary Foreign Worker Program (TFWP). Gross (2015) says that the program is hindering the reduction of interprovincial unemployment gaps by limiting employer’s incentives to offer domestic workers to migrant to fill job vacancies. This may be especially so if the wages of TFWs have been set too low, which was in fact allowed by the federal government in some cases until recent “bad press” on the program forced the imposition of new rules to ensure that equal wages for both foreign and domestic workers.

In sum, interprovincial migration has been decreasing over the past few years for a variety of reasons, and these are not likely to change so that we see this migration again as an important component of population growth in Alberta. For a time, the extremely high earnings and perks given in Alberta resulted in migration from other provinces, reversing the general nationwide trend. But given the current economic situation this situation is not likely to reappear anytime soon.

(iii) **Immigration Could Continue to Help the Province**

Immigration is becoming an increasingly important component of labor force growth for Canada, in general. Several studies (e.g., Kustec, 2012; Worswick, 2013b) have noted that it will continue to play an increasingly important role in expanding the labor market, but cannot do so by itself (Picot and Sweetman, 2012). Kustec (2012) agrees but adds that immigration programs (both temporary and permanent) can prove to be an invaluable tool for dealing with shortages in specific occupations and regions.

These changes in the structure of the labor force have also been felt in Alberta. Barnetson and Foster (2014) note that the composition of migration to Alberta has changed over the last 40 years. From 1975 to 1982, and then beginning again in 1998 (see Figure 1), Alberta saw significant in-migration caused by the oil-driven economic...
boom, with the majority of workers coming from other parts of Canada. By 2000s, however, the net interprovincial migration of Canadian workers was declining with much of this offset by growth in permanent immigrants and TFWs.

Figure 2 shows this trend by charting permanent immigration to Alberta and the Rest of Canada (ROC, which is all of Canada less Alberta) as a percentage of population. Between the early-1970s, and the beginning of the 21st century, immigration was volatile. This changed following the recession of the early-2000s as immigration to Alberta as a percentage of the population increased by about 2.5 times and hitting a maximum of over 1% of the population in 2013/14 and 2015/16.

Canada has three main avenues leading to permanent resident status: the economic class, the family class and refugees. The economic class (both principle applicants and spouses and dependents) accounted for 62.7% of all permanent immigrants in 2015, up from about 35% in 1980 (see Figure 3). Family class and refugees, by contrast, have seen a decline over this period. In Alberta, a larger proportion of permanent residents arrive in the economic class; in 2014, for example, 69.6% of permanent residents were in the economic class, with 21.8% and 6.4% arriving as family class and refugees, respectively (CIC, 2015a).

Immigrants in the economic class have been admitted because of their labor market characteristics – factors such as age, education, and language ability, and secured employment – each of which are then awarded “points” with a certain number of points needed to be granted permanent resident status.

The work of Hou (2013) reflects much of the recent work conducted on the labor market assimilation of immigrants. Specifically, he addresses the earnings of recent immigrants relative to the Canadian-born since the 1980s. He finds that in the 1980s there was a larger unadjusted earnings gap that was mainly due to a significant shift in the source regions of new immigrants. This compositional shift was largely offset by increasing education among immigrants in the 1990s. In the early-2000s it was the IT bust – along with a large concentration of immigrants in IT occupations – that was the primary explanation for an increase in the earnings gap. Goldman, et al. (2015) stress the importance of English-language proficiency, as well as the ability of immigrants to match their pre- and post-immigration occupations in obtaining an earnings premium for experience acquired abroad.

Not only are the wages of recent cohorts lagging, but the labor force participation rate of immigrants is typically about 5 percentage points less than for those born in Canada (Cross, 2015). And even when immigrants are working, they may be doing so in jobs for which they are overqualified. Both of these measures do tend to improve with time spent in Canada but there are still many problems with credential recognition which prohibit immigrants from working to their full potential.

That immigrants have not been performing as well as they have in the past has resulted in policy changes over the years to better “match” immigrants to the needs of the labor market. While policy which awards more points for favorable labor market characteristics was designed to do, points simply reflect positive labor supply characteristics and the admission of these individuals, even if highly skilled in their home countries, is no guarantee that these will be rewarded in Canada. Newer immigration programs have been implemented to overcome this issue.

Provincial Nominee Program and Canadian Experience Class

The Provincial Nominee Program (PNP) – which has been in existence since the late-1990s – makes provinces an important player in what was mainly a federal immigration program. Provinces nominate individuals who then go through the usual Immigration, Refugees and Citizenship Canada (IRCC, formerly CIC) screening process for permanent residency, with the final decision made by the federal government. The numbers admitted under this program have increased significantly, including many former TFWs (Vineberg, 2010).

The Canada Experience Class (CEC), implemented in 2008, allows those who have been in Canada legally, have one year of full-time (or equivalent) work experience in Canada within the past three years, and meet language requirements, to apply for permanent residency from within Canada. But the CEC is limited to those with high skills. At the moment, the only way for lower-skilled foreign workers to apply for permanent residence status is through the PNP (Vineberg, 2010). Indeed, the PNP by design is tailored to provincial labor market needs. For example, the Alberta PNP, allows the nomination of low skilled and semi-skilled workers in certain occupations.
Both the absolute number and the proportion of immigrants admitted under the PNP and the CEC has been increasing, and this has been at the expense of other skilled workers. In 2015 a total of 44,625 individuals (20,928 principle applicants and accompanied by 23,597 spouses and dependents) or 16.4% of total permanent residents where admitted as provincial nominees, a large increase considering the program admitted its first individuals in 1996 (see Figure 4). The number admitted under the CEC has also increased from nil in 2008 to 20,056 in 2015 (11,247 principle applicants and 8,809 spouses and dependents).

As a percentage of the economic class (Figure 4), PNPs comprised 26.1% of all admissions in 2015, increasing from 5.2% in 2005. Baglay (2012) notes that PNPs are displacing those in the Federal Skilled Worker Program (FSWP) as the latter’s targets have been decreasing. Similarly, those admitted under the CEC has increased to 11.8% of those in the economic class in 2015, further squeezing out those in the skilled worker (SW) class. Indeed, Figure 4 shows that the proportion of SWs has more than halved from an 89% share in 2002 to only 42% in 2015.

For Alberta, calculations using IRCC (2016) data show that 26.3% of permanent residents admitted to Alberta in 2014 were under the PNP, compared to 18.3% for all of Canada. Alberta accounted for 23.5% of all PNP admittances to Canada compared to only 16.3% of all immigrants. Similarly, those in the CEC were 15.7% of all permanent residents to Alberta, compared to 9.1% for all of Canada. In that year, Alberta took in 28.1% of all permanent residents who arrived under the CEC. Bonikowska, Hou and Picot (2015) also show that changes in immigration programs (especially the PNP) played an important role in increasing the number of immigrants coming to Alberta, especially those locating outside of Calgary and Edmonton.

While the number and proportion of immigrants admitted under both the CEC and PNP have increased, it is important to see how the labor market experiences of these workers compare to others. The evidence to date shows that they appear to be performing well, as expected, since they are chosen, at least in part, to accommodate demand in regional labor markets. Sweetman and Warman (2014a) observe higher initial earnings and employment probabilities for those in the PNP compared to SWs. Even at four years after landing they are performing at least as well as SWs. Pandey and Townsend (2011) conclude that the PNPs were effective at both attracting and retaining immigrants to smaller Canadian provinces (including Alberta). Flynn and Bauder (2015) show that the retention rates of PNPs (principal applicants) were highest in Alberta and British Columbia over the years 2000-2008 (95.3% and 96.4%, respectively), likely due to the strong labor markets in both provinces. Pandey and Townsend (2013) find that PNPs experience higher entry earnings compared to SWs, certainly as a result of most provinces requiring that PNPs hold a job offer prior to landing.

Hou and Picot (2016) show that PNPs who arrived in the 2000s have higher earnings than SWs, mainly because their pre-landing Canadian work experience. The Canadian work experience variable that they use captures at least three effects. First, the direct effect of Canadian work experience as employers appear to be more willing to pay for this than foreign work experience. Second, a selection effect since employers are willing to change temporary to permanent status for their better employees. And third, many workers on temporary visas who attained permanent status were already employed in high paying jobs. Other work which supports these findings include CIC (2011) as well and Zhang (2012) for British Columbia and Carter, Pandey and Townsend (2010) for Manitoba.

While there is only sparse evidence about the labor market outcomes of PNPs in Alberta, the fact that so many have chosen Alberta, coupled with the fact that they do tend to have better outcomes in terms of employment and wages, does bode well for the province.

While there is little evidence on the labor market outcomes of those admitted under the CEC, that this group does have Canadian experience means that they are likely to do well. Indeed the CEC was designed to counter many of the issues discussed above regarding the poor labor market outcomes of permanent immigrants: the lack of Canadian human capital, poor language abilities, and the lack of Canadian networks and knowledge — deficiencies which make human capital less productive (Sweetman and Warman, 2010a). Sweetman and Warman (2014b) find that those who were admitted permanently after being on a work or student visa performed better in terms of employment and earnings, compared to those admitted as SWs but without Canadian education or experience. That fact that CECs also have more stringent language requirements, coupled with the evidence (Goldmann, et al., 2015) that host-country language ability is highly rewarded, also bodes well for this group.
Temporary Foreign Worker Program

While in the past most admitted temporarily were agricultural workers and others considered low skill, today they arrive with varying degrees of skill. Although often lumped together, since mid-2014 temporary foreign workers enter under the Temporary Foreign Worker Program (TFWP) or the International Mobility Program (IMP). The former, which has undergone a number of iterations, is generally for low-skilled workers who are admitted at the request of employers to fill acute labor shortages, and must receive a positive Labor Market Impact Assessment (LMIA) before receiving a work permit. The LMIA is issued by Employment and Social Development Canada after demonstration by the employer that there are no qualified Canadian residents to fill job vacancies. Once issued, work permits are job-specific so that permit holders are unable to move between employers without a new permit.

The IMP, by contrast, is generally for high-skilled workers and is the result of various international agreements (e.g., NAFTA) and workers do not require a LMIA, nor are their work permits generally attached to a single employer. These permits are not based on employer demand rather individuals are admitted because they are deemed to be in the national cultural and economic interest (Government of Canada, 2014). In 2014, there were 95,086 individuals admitted to Canada under the TFWP and another 197,924 under the IMP. A nontrivial number (some 46,520) holders of TFW and IMP work permits transitioned to permanent residents in the economic class in 2014 (IRCC, 2016).

Alberta has been a large recipient of both types of workers. According to the most recent disaggregated data available, there were 35,486 TFWs in Alberta as of December 1, 2014 – higher than any other province – and this number was almost 500% higher than it was nine years earlier. For Canada over the same period there was a 117% increase. Similarly, the number of IMP permit holders in Alberta increased by 356% over this period, while in Canada it increased by 252%. Still, Alberta had close to 41,000 of these individuals as of December 1, 2014, with larger numbers being concentrated in British Columbia and Ontario (about 62,000 and 92,000, respectively) (CIC, 2015b).

Despite the occasional controversy, evidence to date suggests that these programs have been successful in terms of the employment and wages of the foreign workers relative to the experiences of recently landed permanent residents (Warman, 2009; Warman 2010; Thomas, 2010), not surprising since they are recruited to fill specific job vacancies. In the longer term, they are also likely to continue perform well in the labor market as they benefit from the Canadian experience that they have acquired. Hou and Bonikowska (2015) caution, however, that temporary foreign workers who are recruited to work in low-wage jobs and may have difficulty moving into high paying jobs after becoming permanent residents.

Worswick (2013a) notes many former TFWs have obtained permanent resident status and that the two-step immigrant process – whereby individuals come to Canada and demonstrate their ability to work in the Canadian labor market before applying for permanent residence status – is an effective method of selection for a share of landed immigrants. He notes that a limited TFW program is therefore likely to be beneficial to Canada but notes that dramatically increasing the numbers of TFWs coupled with a weakening Canadian economy are cause for concern. The complaint against TFWs is that they may stifle wage changes, changes which act as an important signal in the allocation of labor resources. While TFWs are a small percentage of the labor force (even in Alberta), they do tend to be concentrated in just a few regions and occupations (Thomas, 2010; Gross, 2014). Gross (2015) notes that this has resulted in unemployment of some domestic workers in Alberta and British Columbia. While Beine, et al. (2016) warn that TFWs can reduce internal mobility and decrease incentives for existing Canadians to invest in certain skills.

Like the CEC and the PNP, the TFWP provides a market-based solution to attracting international migrants who – if successful – may remain in Canada permanently. It is noteworthy that most of the literature on TFWs comes from the period when the program was expanding rapidly, and often focused on places like Alberta where the thirst for these workers was seemingly unquenchable. That they are continuing to perform well in the current contracting Alberta economy remains to be seen. Recent data does show that the number of non-permanent residents in Alberta has deceased from a peak of 120,125 in the fourth quarter of 2014 to 91,072 in the second quarter of 2016.6
Foreign Students

Foreign students are important source of potential labor in both Canada and Alberta. Lu and Hou (2015) show that the number of foreign students admitted to Canada was about 31,000 per year between 1990 and 1994, more than tripling to about 96,000 per year between 2010 and 2013. Further, in the latter period the students admitted were more likely to be 18-24 (compared to less than 18) and studying at the bachelor level or above. Between 20% and 27% of these students became permanent residents in the 10 years following their first study permit, depending on the arrival cohort. Those who came as most recently (2005-2009), however, were less likely to transition than those who arrived in 1990 to 1994, with those from countries with a lower GDP per capita and/or a higher level of education more likely to transition.

CIC data show that the Alberta has not experienced the same growth in foreign students. Between 2004 and 2014, the number of individuals with valid student permit increased by almost 100% for Canada, but only by 51.7% for Alberta. Stated differently, as of December 1, 2014, Alberta had only about 5.3% of all international students with valid permits, despite having a share of the Canadian population more than twice as large.7

The Canadian government hopes to attract 450,000 international students by 2022, doubling the current number (Lu and Hou, 2015). Landed immigrants who first arrive as international students have some advantages over other immigrants: they enter at a younger age, their credentials are easily understood by Canadian employers, they tend to be better at one or both languages and they are likely to have better knowledge of the Canadian labor market and social networks (Lu and Hou, 2015). The fact that international students are able to work while studying in Canada also increases their Canadian human capital. Hou and Bonikowska (2015) note that host-country education doesn’t necessarily give immigrants an advantage, although it is most likely to do so when accompanied by skilled work experience in the host country.

Thus, similar to temporary foreign workers, foreign students are likely to perform well in the labor market. Unlike the TFWs, however, Alberta has not attracted a large number of these students.

In sum, it is important to underline the key role of employers in the immigration selection process. The labor success of TFWs, CECs, PNs and foreign students is largely as a result of employers selecting these immigrants. In other words, the market is being allowed to function properly. As Hou and Bonikowska (2015:9) note:

By comparison, in the supply-driven system, permanent residency [through the former points system] is offered at admission to applicants whose human capital characteristics are considered to offer high potential for labour market success but who have not been directly screened and tested by employers."

Clearly Canadian experience is valued by employers. This is not to imply that employers should have an unlimited role in the immigration process, as they may overuse the system in an effort to keep costs down. This would undoubtedly have implications for, inter alia, the mobility of labor within Canada, the development of domestic human capital, and the adoption of capital-intensive technologies.

The importance of Canadian experience in determining labor market success is being put into policy. In January 2015 the “Express Entry System” was introduced under the FSWP, the CEC, and the Federal Skilled Trades Program (launched in 2013). Provinces are also permitted recruit candidates from this system under the PNP. Candidates who meet certain criteria regarding their education, experience, language abilities, etc. can submit their profiles to the express entry pool. Arranged employment now counts as 50% of the total points awarded, compared to 10% under the former system. The best candidates in this pool who are offered a job offer by a Canadian employer, nominated by a provincial government or selected by the Canadian government without a job offer, are invited to apply for permanent residency. Approved applicants receive permanent resident status within six months. Canadian employers must still normally receive a LMIA before hiring most types of immigrants. This system is different from the former points system in that it is not an “up-and-over” system whereby potential immigrants simply need to meet a certain point threshold to be admitted; rather individuals are competing against the others in the pool over the year-long period in which
their applications are active. If not invited to apply for permanent residency in this period, they must reapply the following year.

Beine, et al. (2016) note that the new system is very much employer-demand driven. While this is a positive development in the sense that integration of the new permanent residents will certainly be easier as a result of the arranged employment, the authors do warn that filling job vacancies with permanent immigration instead of TFWs to satisfy acute labor shortages creates “an intertemporal labor mismatch” since current labor market needs may not be the same as future needs. Furthermore, by focusing on the short-term, those with skills that may be beneficial to the country would likely be rejected because of the large percentage of points given to pre-arranged employment.

B. Increasing Labor Supply at the Intensive Margin

Until this point it has been argued that there is limited potential to increase the Alberta labor supply through natural increases, interprovincial migration, or immigration. This leaves Alberta with the option of better utilizing the talents of its existing population.

(i) Labor Force Participation Rates are Already the Highest in Alberta

There is very little room to increase the overall labor supply. Even with the recent economic slowdown, as of August 2016 Alberta still had the highest overall labor force participation rate (LFPR) in the country: 72.2% versus 65.5% for all of Canada, continuing a pattern which goes back as far as 1976 (Figure 5). The Alberta rate in the most recent data is 2.4 percentage points above the 69.8% in Saskatchewan, the second highest rate in the country.

Alberta is the region with the lowest median age in the county (with the exception of the Northwest Territories and Nunavut) and this young population could distort LFPRs. This does not seem to be the case however, since the LFPR pattern previously shown also generally holds if the data are disaggregated into three distinct age groups (Figure 6).

Women

Despite the high overall rates, there may still be room to increase female LFPR. Uppal (2016) shows that Alberta had the highest proportion of dual-earner families in 1976, but by 2015 it had the lowest proportion of dual-earner couples (64% compared to the national average of 69%). According to Cross (2015), the relatively high family incomes in Alberta may have undermined the rates among women as participation rates are lower than average when the spouse earns more the $75,000 year. Cross further opines that if mothers in Alberta with children had the same LFPR as Quebec, Alberta’s labor force would increase by 32,000. The current economic downturn in Alberta means that there will be more dual-earner families as both the employment rates and incomes decrease among the primary income earner.

Aboriginal Canadians

Aboriginals remain a large and untapped labor resource. This is important for Alberta which has a large working age population of off-reserve Aboriginals. As a proportion of the working age population, Alberta at 4.5% ranks third behind Manitoba (11.2%) and Saskatchewan (9.0%).

The Aboriginal population is younger on average than the non-Aboriginal population in Alberta: 25 versus 37 years. Furthermore, this population lags behind the rest of Albertans aged 25-64, having only 48.4% post-secondary attainment rates compared to 62.8% of the non-Aboriginal population. Munro (2014) shows that the literary, numeracy, and problem-solving skills of Aboriginals also lack those of non-Aboriginals. Taken together this suggests that increasing the productive abilities of this group could be an important labor source for Alberta.

Older Workers

Labor supply could be enhanced by individuals spending a longer time in the labor force. Cross (2015) argues that older people are underutilized in Canada (although as we have seen, LFPRs for older Albertans are the highest in the
country). Still, as the aging population continues to live longer and healthier lives, their labor could continue to be an important source of workers. Working in Alberta’s favor is the fact that in 2014 only 11% of Alberta’s population was aged 65 or older – the lowest in the country – compared to a national average of 16%. (Martel, 2015).

(ii) Credential Recognition

The recognition of credentials is a part of the broader issue of skills mismatch which can occur when the number of people and jobs are equal jobs but with skills are not appropriately matched. This phenomenon includes over- and under-education and over- and under-qualification. Several recent studies (Plesca and Summerfield, 2014; Uppal and LaRochelle-Côté, 2014; Meredith, 2014a; Burleton, et al., 2013; Drummond, 2014) suggest that, while there are isolated cases job mismatches, these are not prevalent in Canada. Of course, until recently it has been Alberta that has been on the front lines of these mismatches.

Credential recognition is a potential issue for anyone entering any province whether from another province or from abroad. New immigrants are having a problem getting their credentials recognized and are often overqualified for the work that they perform. This represents a misallocation of human resources and is one reason why the earnings of recent immigrants are lagging. According to Burleton, et al. (2013), about 80% of newcomers to Canada had high-skilled jobs before arrival, but only about 40% had these jobs 6 months after landing, increasing to about 55% after 4 years. Similarly, Uppal and LaRochelle-Côté (2014) note that some 43% of female and 35% of female degree holders obtained outside of Canada or the US were in occupations that required a high school education or less. While sometimes this outcome is chalked up to foreign qualifications being substandard, often the problem is the result of a lack of appropriate information regarding these qualifications or the inability of foreigners to work in regulated professions.

This problem appears to be greater still amongst those in regulated occupations and it is likely becoming more problematic (Sweetman, McDonald and Hawthorne, 2015). Contemporaneously, there has been an increase in immigration of skilled individuals from developing countries and the confluence of these two factors has resulted in a significant number of immigrants being employed outside of their areas of training. It also seems to be more acute for those within regulated professions. Zietsma (2010), for example, looks at 15 regulated occupations and finds that there are proportionately more immigrants trained for these occupations than native-born Canadians and that immigrants in a regulated field with a degree from outside of Canada had higher unemployment rates and lower participation and employment rates compared to those who studied in Canada.

Limiting their analysis to international medical graduates (IMGs), McDonald, Warman and Worswick (2015) compare occupational outcomes in the US and Canada. They find that IMGs are less likely to be employed as physicians in Canada where the points system assesses immigrants. In the US it is employer nominations that provide the more important entry path. The difference between the two countries is especially large for those with credentials from non-English speaking countries. In Canada, IMGs from non-English language countries are more likely to be employed in low-skill occupations or not working than are those with medical degrees earned in Canada.

Owusu and Sweetman (2015) find that place of training, and not place of birth, seems to drive the gaps in these regulated occupations. Girard and Smith (2013) also find the immigrants are less likely than the Canadian-born to work in regulated occupations, with those educated in Asia, Latin America and the Caribbean the least likely – not surprising considering that education obtained in these areas is likely less familiar to most licensing bodies and employers. And the difficulty of dealing with foreign credentials has likely increased along with the diversity of source countries. This could be especially problematic in the case of Alberta since the province is second only to Quebec in both the number and the proportion of occupations that are regulated. Furthermore, many of these regulated occupations are unique to Alberta and so training opportunities outside of the province may not exist.

Matching employees in regulated profession seems to be more of a problem in Alberta. Zietsma (2010) finds that Alberta had a match rate of only 31% for the foreign-educated compared to 62% amongst the Canadian-born, the fifth lowest among the provinces. She finds that the highest match rates were those educated in Europe, the US, Australia, New Zealand, the US, Israel and South Africa (i.e., those with similar education systems and languages of instruction). Her data, however, were for 2006, before the demand-driven immigration programs such as the TFWP and the PNP were expanded, and also before the federal government established the Foreign Credential Recognition Program in 2003.
The problem with credential recognition also applies to the skilled trades. The Red Seal program makes certification transferable across provinces but only when individuals obtain it. The OECD (2014) opines that harmonizing apprenticeship training may increase mobility across provinces. Brydon and Dachis (2013) say that provincial regulations limit how many apprentices firms may hire, and that provinces with the strictest regulations have fewer young people entering while enriching those few who do find work. Lane and Griffiths (2015) argue that a further barrier to mobility is the difficulty for people working in one trade to transfer into a related trade even when they have gained many of the required skills (e.g., plumber to pipefitter). They recommend a model in which people are credentialled in specific competencies which could then be used to qualify for different trades. Other factors – such as stereotypes about the inferiority of employment in the trades – are also important but less amenable to policy levers. For Alberta this could all be important given the importance of the trades to the economy.

The government has continued to work on this this credential recognition problem. Since 2013 applicants under the FSWP must supply assessments of their education credentials and evidence of proficiency in English or French. In 2015, the federal government introduced the “Express Entry System” based on an expression of interest model which will establish and pool of qualified potential immigrants from which governments and employers may consider based on labor market and other needs. The OECD (2014) recommends dedicated programs for immigrants to complement their foreign credentials and become qualified to local standards.

(iii) Bringing Education up to National Levels

Increasing the productivity of the existing labor force may mitigate the need to attract new entrants to the labor market. While Canada still outperforms the rest of the OECD in the educational attainment of adults, the country’s ranking is slipping as other countries catch up. Parkin (2015) analyzes the statistics contained in the most recent OECD’s Education at a Glance and notes that falls to third place when considering only younger adults (between the ages of 25 and 34), falls further to 18th spot when considering only university degrees, and to 21st spot when considering only university degrees among 25-34 year olds. And, if we removed immigrants from the young adult mix, we would rank below 21st position in the OECD – probably somewhere between 23rd and 26th place. Thus, there is considerable room to grow the university attainment rates among those born in Canada.

For Alberta, the statistics tend to be below the national average. The 2011 high school graduation rate was the lowest among the provinces (69% compared to a national average of 85%) and far behind the second lowest province of Newfoundland and Labrador (75%). And this Alberta figure is lower for young males (67%) than young females (72%) (Statistics Canada, 2015). According to Alberta Advanced Education (2014), the PSE participation rate of 18-34 year olds was 18% in 2013, compared to a national average of 24%. These figures are reflected in Figure 7 which shows that school enrollment rates in Alberta (at all levels of education), are well below those for Canada. In 2015, for example, only 54.2% of Albertans between the ages of 15 and 24 were enrolled in school (at any level), compared to the overall Canadian rate of 61.6%. This differences here are in line with the 4-7 percentage point differential seen historically and is the obverse of the employment rate which was 6 percentage points higher in Alberta in 2013 (78% vs. 72%).

While the robust Alberta economy has contributed to low PSE enrollment rates, one is left to wonder if young Albertans have sacrificed their futures by working rather than completing a PSE at a young age when the lifetime payoff to education are highest. Morissette, et al. (2014) find that increased wages in the energy sector do in fact result in lower full-time university enrollment rates amongst young men (at least temporarily). Similarly, Neill and Burdzy (2010) find that the boom and bust oil cycles in Alberta in recent years have had significant effects on PSE participation, with differing effects by gender (affecting males more) and level of study (affecting university more). They also find that this result holds in the longer term as educational attainment of those over age 25 is depressed following a period of higher oil prices. The exception is for apprenticeships where enrollments tend to be pro-cyclical. Also, programs of short duration – such as certificates and master’s degrees – tend to see enrollments increase as the economy weakens (AAE, 2014).

The result of these factors is that the Alberta working age population is less educated than in other parts of Canada (Figure 8). While 37.2% of all Canadians in this age group hold a postsecondary certificate or diploma, only 35.3% of Albertans do so. For a bachelor’s degree, these figures are similar, 22.0% versus 21.7%. While 9.9% of all
Canadians in this age group hold degrees above the bachelor’s level, the corresponding figure for Alberta is 8.8%. That Alberta does not lag even further behind is almost certainly owing to the arrival of many educated people from outside of the province (both internationally and inter-provincially).

Canada also has a seemingly poor record when it comes to certifying individuals in the skilled trades. The OECD (2014) notes that the expansion in the number of trades covered by the Red Seal programme and high demand for tradespeople has doubled the number of apprenticeship registrations and completions between 2000 and 2011, but the average completion rate remained at about 50%. They opine that this could be due to the significant costs and lack of income during in-class training. Given the high proportion of skilled tradespersons in Alberta, completion of programs is of even higher importance than for other parts of Canada.

Employer training may be another option to increase the stock of human capital. Burleton, et al. (2013) show that Canadian firms are spending less on employee training in 2010 than they did in 1993 – a 38% drop in real terms – despite the fact that there has been considerable economic growth and increasing demand for skills. For employers, not offering on-the-job training can be rational if there is high labor turnover and perhaps even poaching of employees. This suggests a role for subsidized employer training.

III. Summary and Conclusions

While Alberta is suffering one of its frequent economic downturns – such is the fate of an energy-dependent economy – there will undoubtedly be a time when the province again returns to prosperity. Whether this growth will be generated from the energy sector is not certain, but it has been assumed that the Alberta labor market will need new sources of labor.

Increased labor supply can come at both the extensive and the intensive margin. Increasing the extensive margin occurs through increasing the number of people in the population. The intensive margin is utilizing the existing population more efficiently.

The potential for increasing labor supply the extensive margin is limited. Although Alberta has high natural increases in population, it is well below the replacement rate. Interprovincial migration, which has historically been important, is also in decline.

Immigration holds more promise. The fact that Alberta has attracted more than its share of immigration from the Canada Experience Class and the Provincial Nominee Program is encouraging since these individuals have a combination of domestic experience, Canadian education, and proficiency in English, factors which have been shown to ensure greater success in the labor market. Similarly, Alberta has attracted many temporary workers who also gain this human capital and many have become permanent residents. However, a caveat is in order here. The success of many immigrants was noted during a time of economic expansion. How these individuals have been faring in the labor market since the economic slowdown of mid-2014 is not known, but certainly should be investigated.

At the intensive margin, we saw that increasing labor participation rates in Alberta is very unlikely to happen. The province already has the highest rates in the country, even in the past two years as the economy was thrown into recession. Still there are some underrepresented groups that could be potential sources of labor.

Recognition of education and experience from outside of the province is also problematic, especially within regulated occupations. While credential recognition is most widely thought to affect immigrants, interprovincial migrants often face similar challenges. Addressing this could reverse the current waste of talent.

Alberta has lower levels of educational attainment relative to other jurisdictions in the country. No doubt this has been due to the nature of the lucrative employment in the resource sector. Resource companies were competing with provincial universities for young Albertans, and they often succeeded in doing so, but to the detriment of school enrollments and graduations across the province.
References


Worswick, C. 2013a. “Economic Implications of Recent Changes to the Temporary Foreign Worker Program,” Institute for Research of Public Policy (IRPP) Insight No. 4.


Figure 1: In-migration, Out-migration, and Net-migration, % of Population, Alberta, 1971/1972-2015/2016

Source: Author’s calculations from CANSIM Tables 051-0001 and 051-0012.

Figure 2: International Migrants to Alberta and the Rest of Canada as a % of Population, 1971/72-2015/16

Source: Author’s calculations from CANSIM Tables 051-0001 and 051-0011.
Figure 6: Labor Force Participation Rates, Canada and Alberta, Males and Females, by Age Group, January 1976 - August 2016

Source: CANSIM Table 282-0087.

Figure 7: School Enrolment Rates, Ages 15-24, Both Sexes, 1976-2015, Canada and Alberta

Source: Author’s calculations from CANSIM Table 282-0095.
Figures are from CANSIM Table 282-0087 (accessed 16 September 2016).

2 Rates are calculated from CANSIM Table 102-4505 (accessed 16 September 2016).

3 These numbers are calculated from CANSIM Tables 0051-0001 and 051-0012 (accessed 29 September 2016) by dividing the number of migrants from July 1 through June 30 with the population figures from July 1 of the previous year.

4 These figures include both principle applicants and spouses and dependents. The “other” category accounts for 1.4% (2.2%) of permanent immigration to Canada (Alberta).

5 The points system was introduced in the 1960s and has undergone several changes, largely in response to new research which points to immigrant characteristics which are rewarded in the labour market. The importance of these characteristics is emphasized in the new Express Entry System (see below).

6 Calculated from CANSIM Table 0051-0020.

7 Data for 2004 are from CIC (2014) and for 2005-2014 from CIC (2015b).

8 This result holds for both males and females.

9 These figures are for 2015 and calculated from Labour Force Survey data from CANSIM Table 282-0226 (accessed 28 September 2016).

10 This is the self-identified Aboriginal population. Figures are from Alberta Advanced Education (2014) and based on the 2011 National Household Survey.