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Two-step Immigration Selection: Skilled Work Experience vs. Pre-arranged Jobs

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Two-step Immigration Selection: Skilled Work Experience vs. Pre-arranged Jobs

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Canadian work experience and pre-arranged employment are both important criteria in Canada's Express Entry system of economic immigration selection. While pre-arranged employment may more directly reflect employers' preference than Canadian work experience, the latter can better capture the "realized market values of skills" when it is measured by levels of pre-immigration Canadian earnings. Among prime-aged principal applicants selected through the Express Entry system, having pre-immigration Canadian earnings was associated with a large advantage in employment incidence in the first two years after immigration, while having a pre-arranged job made no difference in employment when common immigrant characteristics are taken into account. With otherwise similar characteristics, immigrants with a pre-arranged job earned 15% more than those without a pre-arranged job in the first two years after immigration, while immigrants with high pre-landing Canadian earnings earned almost twice as those without pre-landing Canadian earnings. Immigrants with medium and low pre-landing Canadian earnings had no earnings advantage relative to those without pre-landing Canadian earnings after immigration. Overall, the level of pre-immigration Canadian earnings was an important predictor of post-immigration earnings, while having a pre-arranged job accounted for little of the variation in post-immigration earnings among economic principal applicant immigrants.

This is the fifth of five articles on the two-step selection process.

Introduction

The two-step immigration selection process—the selection of economic immigrants from among temporary foreign workers—has been expanding since the 2000s. From 2000 to 2018, the share with pre-immigration Canadian earnings among economic principal applicants increased from 12% to 59%. Thus, the majority of recent economic immigrant principal applicants were selected from former foreign residents who had worked in Canada (Hou, Crossman and Picot 2020a). This is a significant development. Immigrants who had Canadian skilled work experience before obtaining permanent residency tend to have higher initial employment rates and earnings than immigrants who are admitted directly from abroad (Hou and Bonikowska 2018; Hou and Picot 2016).

A key feature of two-step selection is the important role played by employers. In the first step, it is mostly employers who make the decisions on the hiring and retaining of temporary foreign workers. In the US employer-selection system, employers further sponsor temporary foreign workers for the application of permanent residency. In comparison, in Canada's points-based system, it is generally the government that sets up rules and criteria to determine how many and which temporary foreign

workers can transition to permanent residency. However, Canada, as well as other countries with a points-based system, including Australia, New Zealand, and the United Kingdom, have incorporated the input of employers by awarding points for job offers (Papademetriou and Hooper 2019; Hiebert 2019). Indeed, depending on the importance assigned to job offers, employers can play a decisive role in the selection of economic immigrants. When Canada's Express Entry (EE) system was first introduced, a job offer essentially guaranteed an applicant's success in applying for permanent residency. Two years after implementation, the points awarded for a job offer were dramatically reduced. However, a job offer is compulsory in some Provincial Nominee Programs (Papademetriou and Hooper 2019).

Since it would be relatively easy for temporary foreign workers to obtain a job offer for their immigration application, most applicants with a job offer are likely former temporary foreign workers. It is conceivable that a job offer can significantly boost a low-skilled temporary foreign worker's chance to pass the application screen. However, high-skilled temporary foreign workers with favourable human capital factors may not have to rely on a job offer to qualify for permanent residency. Given that Canadian work experience and job offers are important selection criteria and they overlap to a large extent, this article asks whether a pre-arranged job results in the same economic advantage as pre-landing Canadian work experience.

This is the fifth article of a series on the increasing importance of temporary foreign workers in the selection and labour market outcomes of immigrants. Previous articles in this series provide an overview of the advantages and potential risks of two-step immigration selection (Crossman, Hou and Picot 2020), document the recent expansion of two-step immigration selection in Canada (Hou, Crossman and Picot 2020a), examine the effect of this expansion on immigrants' labour market outcomes (Hou, Crossman and Picot 2020b), and explore whether two-step selection explains the variation in labour market outcomes by admission class (Hou, Crossman and Picot 2020c). Following a review of the evolution of job offers and Canadian work experience as selection criteria for economic immigrants, this article compares their relative importance as predictors of economic immigrants' initial labour market outcomes.

Canadian work experience and pre-arranged jobs as immigration selection criteria

From the inception of the points system in 1967 until the introduction of the Express Entry (EE) system in 2015, arranged employment had always been part of immigration selection criteria, although not a dominant factor. It was usually assigned 10 points out of 100 to 110 total points (McWhinney 1998; IRCC 2013). Selection criteria were revised under the Immigration and Refugee Protection Act (IRPA), and starting from 2002, federal skilled worker applicants could receive an additional 5 points for having a pre-arranged job as part of the maximum 10 points allocated to "adaptability". When the Canadian EE application management system was first introduced in 2015, having a job offer almost guaranteed entry into the pool of applicants for permanent residency. Under EE, candidates are assigned a Comprehensive Ranking System (CRS) score; the maximum CRS score a candidate can achieve is capped at 1,200 points—600 points under the core component and 600 points under the additional points component. In 2015, potential candidates could be awarded 600 additional points for either a job offer¹ or a provincial/territorial nomination. Many applicants with the additional 600 points from job offers were service supervisors or cooks who were

1. A qualifying offer of arranged employment in the CRS is restricted to an offer of employment from a Canadian employer, in an occupation listed in Skill Type 0 management occupations or Skill Level A or B occupations of the National Occupational Classification (NOC), for full-time work for at least one year (Government of Canada 2014).

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often chosen from the pool over some highly skilled candidates. To rebalance the ranking system, in 2016, the number of points awarded for job offers was reduced to 200 points for candidates with a valid job offer in senior management occupations, and 50 points for candidates with a valid job offer in middle management occupations and occupations requiring at least some post-secondary education (IRCC 2016; 2017).²

In contrast to the consistent presence of arranged employment as a factor of selection, Canadian work experience was not given specific consideration until 2002, with the introduction of IRPA. However, Canadian work experience was merely one item earning a maximum of 5 points under the “adaptability” category. Based on empirical evidence of a strong positive role played by Canadian work experience in post-migration earnings (e.g., Bonikowska, Hou and Picot 2015), in 2015 the EE system fundamentally altered the role of this factor in selection. Canadian work experience became one of the four core human capital factors of selection (the other three being age, level of education, and official language proficiency).³

Under the CRS embedded in the EE system, applicants with Canadian work experience can receive a maximum of 80 points in the core human capital factors and another 100 points for skill transferability factors if they also have a post-secondary degree and foreign work experience (IRCC 2019a). The total (180 points) is still lower than the 200 points assigned to a valid job offer in senior management occupations, but is much higher than the 50 points assigned to a valid job offer in other eligible occupations, where most job offers are found. Given the CRS cut-off score chosen to invite applicants ranged from 439 to 456 points in 2018 (IRCC 2019b), the maximum points allocated to Canadian work experience can now account for up to 40% of the passing score.

The EE selection system assigns scores to Canadian work experience based on years of work experience, rather than the level of earnings in Canada before immigration.⁴ However, pre-immigration Canadian earnings is a much better predictor of post-immigration earnings than years of pre-immigration Canadian work experience. Using a multivariate model to predict entry earnings of economic immigrants who landed in the 2000s, Hou and Picot (2016) found that conditional on having pre-immigration Canadian earnings, the number of years of pre-landing Canadian work experience was not positively associated with immigrant entry earnings. These authors argued that the achieved earnings level reflects the “realized market values of skills in Canada” (p 320).

Furthermore, low-skilled Canadian work experience (or low pre-immigration earnings) was found to be associated with slow earning growth. Based on data of economic immigrants who landed between 1990 and 2006 and were aged 20 to 54 years, Hou and Bonikowska (2018) found immigrants with pre-immigration low-skilled Canadian work experience had significantly lower earnings at the time of arrival and slower earnings growth than immigrants without prior Canadian experience. These results suggest that temporary foreign workers who were specifically recruited to work in low-paying, low-skilled jobs may not have the ability to move to higher-paying jobs after obtaining permanent residency and may have difficulty adjusting to cyclical and structural changes

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2. In the NOC, senior management occupation are coded as 00, while middle management occupations are coded from 01 to 09. Occupations requiring at least some post-secondary education refer to Skill Level A or B occupations.
 3. Canadian work experience in the CRS is defined as work experience acquired in Canada in management occupations or occupations requiring at least some post-secondary education as specified in the National Occupational Classification (Government of Canada 2014).
 4. Under the EE system’s core human capital factors, one year of Canadian work experience is assigned 40 points, while 5 or more years of Canadian experience is assigned 80 points.

in the labour market. More generally, it is not simply having pre-immigration Canadian work experience, but having Canadian work experience in a high skilled/paying job that is a key indicator for superior post-immigration labour market outcomes (Hou, Crossman and Picot 2020c).

What better predicts post-immigration employment and earnings: skilled work experience or pre-arranged jobs?

A previous study used detailed selection data for economic immigrants entering under the IRPA legislation between 2003 and 2008 to evaluate the relative importance of Canadian work history and arranged employment (Bonikowska, Hou and Picot 2015). For Federal Skilled Worker Program (FSWP) immigrants, multivariate regression model estimates showed that having arranged employment (compared to not having had it) increased earnings during the first two full years after landing by about 25%. While significant, this was relatively small compared with the effect of having had Canadian work experience before immigration, which was found to increase earnings by around 65% (Bonikowska, Hou and Picot 2015).

This article asks whether pre-immigration Canadian earnings or pre-arranged job offers are the better predictor of initial labour market outcomes. The data consist of economic principal applicants admitted under the EE system over the 2015 to 2016 period, derived from the Longitudinal Immigration Database.⁵ Over this two-year period, about 16% of economic principal applicants were selected under the EE system, while the majority were still selected under the pre-EE points system. Only among EE principal applicants is the information on pre-arranged job collected.

The level of earnings as recorded in the tax file is used as the measure of the skill level of pre-immigration Canadian work experience. It is a better measure than the skill level of work permits of temporary foreign workers as used in some previous studies (Bonikowska, Hou and Picot 2015; Hou and Bonikowska 2018). This is because increasingly more temporary foreign workers hold open work permits for which skill levels cannot be determined, and some work permit holders do not actually work in Canada while some foreign residents (particular international students) can work without a work permit (Lu and Hou 2019).

Among the 2015 to 2016 cohort of EE principal applicants who were aged 20 to 54 years at landing, 79% had pre-immigration Canadian earnings and 41% had pre-arranged jobs.⁶ Among those with pre-arranged jobs, only 6% did not have pre-immigration Canadian earnings, 4% had low pre-immigration Canadian earnings, 54% had medium pre-immigration Canadian earnings, and 36% had high pre-immigration Canadian earnings. Almost all applicants with pre-arranged jobs were former temporary foreign workers, most with medium level pre-immigration Canadian earnings.⁷ In the group without pre-arranged jobs, 32% did not have pre-immigration Canadian earnings, 5% had low pre-immigration Canadian earnings, while 31% had medium pre-immigration Canadian earnings, and 32% had high pre-immigration Canadian earnings.

5. While the available Immigrant Landing File (ILF) covers as recent as the 2018 landing cohort, the most recent employment and earnings measures are available only up to 2017. Thus, 2016 is the most recent landing cohort with first full-year labour market outcome measures available in the Longitudinal Immigration Database (IMDB).

6. Among non-EE economic immigrant principal applicants, 55% had pre-immigration Canadian earnings.

7. However, the pattern changed somewhat among EE immigrant principal applicants admitted in the 2017 to 2018 period, when only 14% had pre-arranged jobs. Among them, 9% did not have pre-immigration Canadian earnings, 4% had low pre-immigration Canadian earnings, 36% had medium pre-immigration Canadian earnings, and 50% had high pre-immigration Canadian earnings.

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Looking at the 2015 to 2016 immigrant landing cohort, Table 1 presents immigrant employment incidence and earnings in 2017, as associated with having or not having a pre-arranged job, and with having different levels of pre-immigration Canadian earnings.⁸ The first column shows the observed outcomes. The second column—the independent difference—shows the estimated outcomes assuming immigrants with and without pre-arranged jobs had the same distribution in levels of pre-immigration Canadian earnings, and immigrants with different levels of pre-immigration Canadian earnings had identical shares with pre-arranged jobs. The third column—the adjusted outcomes—further controls for source region, education level, official language knowledge, age at landing, admission program, whether studied in Canada before immigration,⁹ and geographic distribution.

Table 1
Differences in employment incidence and earnings by pre-arranged job and pre-immigration Canadian earnings among principal applicants selected under the Express Entry system, 2015-2016 arrivals, aged 20 to 54 years at landing

	Observed	Independent ¹	Adjusted ²
	percentage points		
Employment incidence 1 and 2 years after immigration			
By pre-arranged job			
Without a pre-arranged job	94.7	95.6	96.4
With a pre-arranged job	96.9	96.0	95.2
By level of pre-immigration Canadian earnings			
No pre-immigration Canadian earnings	88.9	89.0	89.3
Low pre-immigration Canadian earnings	93.9	93.9	94.2
Medium pre-immigration Canadian earnings	96.8	96.7	96.6
High pre-immigration Canadian earnings	97.8	97.8	97.8
	2017 dollars		
Earnings 1 and 2 years after immigration			
By pre-arranged job			
Without a pre-arranged job	60,400	58,900	56,200
With a pre-arranged job	62,100	63,600	66,300
By level of pre-immigration Canadian earnings			
No pre-immigration Canadian earnings	48,400	50,200	46,000
Low pre-immigration Canadian earnings	39,500	39,700	43,300
Medium pre-immigration Canadian earnings	41,000	40,400	47,800
High pre-immigration Canadian earnings	95,700	95,800	87,200

1. The independent effects are estimated from a regression model controlling for pre-arranged job and pre-Canadian earnings.

2. The adjusted results are derived from a regression model controlling for pre-arranged job, pre-immigration Canadian earnings, as well as educational level, language, source region, age at landing, admission program, whether holding a study permit in Canada before immigration, and geographic distribution.

Note: All earnings are rounded to the nearest 100.

Source: Statistics Canada, the Longitudinal Immigration Database.

8. The annual employment incidence is defined as the percentage of immigrant tax-filers who reported at least \$500 employment income in a given tax year. Average annual entry earnings are calculated among those with minimum \$500 (\$2017) annual earnings in a given tax year.

9. As indicated by whether an immigrant ever held a study permit in Canada before immigration.

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In terms of employment incidence, having a pre-arranged job was associated with a 2 percentage-point lead over those economic immigrants without a pre-arranged job at landing (97% vs. 95%). Relative to having high pre-immigration Canadian earnings, having no, low, and medium pre-immigration Canadian earnings was associated with a 9, 4, and 1 percentage-point gap in employment incidence, respectively. In the independent results, employment differences by pre-arranged jobs disappeared, but barely changed by levels of pre-immigration Canadian earnings. In the adjusted results, there was no employment advantage associated with having a pre-arranged job; but the advantage associated with having pre-immigration Canadian earnings remained mostly unchanged. Thus, when pre-immigration Canadian earnings and other immigrant characteristics were taken into account, there was no gain in employment incidence from having a pre-arranged job.

In terms of average annual earnings, immigrants without a pre-arranged job earned 3% less than those with a pre-arranged job in the first and second year after immigration. The level of pre-immigration Canadian earnings made an even larger difference with respect to immigrant annual earnings. While immigrants with no pre-immigration Canadian earnings earned 49% less than those with high pre-immigration earnings, immigrants with low and medium pre-immigration Canadian earnings earned significantly less than those without pre-immigration earnings. In the adjusted results, immigrants with high pre-immigration Canadian earnings earned 45% to 50% more than those with no, low, or medium pre-immigration earnings. In comparison, the earnings advantage associated with having a pre-arranged job was about 15%. Further analysis shows that having a pre-arranged job was associated with higher earnings for those with either no or high levels of pre-immigration Canadian earnings, but with no positive effect for immigrants with medium pre-immigration earnings.

The relative importance of pre-immigration Canadian earnings and pre-arranged jobs can be evaluated more directly by comparing their unique contribution to the R-squared value in the earnings model for the adjusted differences. The R-squared value indicates how much of the variation in the outcome variable (earnings in this case) can be explained by the explanatory variables. It varies from 0 to 1, with the higher the R-squared, the better the predictive value of the statistical model. In this case, the full model has an R-squared value of 0.345. When the pre-arranged job variable is removed from the model, the model R-squared decreases by 0.003. The predictive power of the model is thus reduced very little. However, if pre-immigration Canadian earnings are taken out from the model, the model R-squared decreases by much more, at 0.110. These results suggest the level of pre-immigration Canadian earnings was an important predictor of post-immigration earnings, and having a pre-arranged job much less so.

Compared with the findings of previous studies, the level of pre-immigration Canadian earnings was associated with a smaller variation in employment incidence among EE economic principal applicants than among all economic immigrants arrived over the 2000s (Hou, Crossman and Picot 2020b). While having medium level pre-immigration Canadian earnings was associated with significantly higher post-immigration earnings among all economic immigrants, this was not the case among EE immigrants. It is possible that EE principal applicants without pre-immigration Canadian earnings are a more selective group than other economic immigrants without such earnings. Future research is required to assess whether the results observed among the 2015 to 2016 cohorts of EE immigrants are applicable to newer cohorts and whether the effects of pre-arranged jobs and pre-immigration Canadian earnings persist in the long term.

Summary

Canadian work experience and pre-arranged employment are both important criteria in Canada's Express Entry system of economic immigration selection. While pre-arranged employment may more directly reflect employers' preference than Canadian work experience, the latter can better capture the "realized market values of skills in Canada" when it is measured by levels of pre-immigration Canadian earnings. Among prime-aged principal applicants selected through the EE system, having pre-immigration Canadian earnings was associated with a large advantage in employment incidence in the first two years after immigration, while having a pre-arranged job made no difference in employment when common immigrant characteristics are taken into account. With otherwise similar characteristics, immigrants with a pre-arranged job earned 15% more than those without a pre-arranged job in the first two years after immigration, while immigrants with high pre-landing Canadian earnings earned almost twice as those without pre-landing Canadian earnings. Immigrants with medium and low pre-landing Canadian earnings had no earnings advantage relative to those without pre-landing Canadian earnings after immigration. Overall, the level of pre-immigration Canadian earnings was a strong predictor of post-immigration earnings, while having a pre-arranged job accounted for little of the variation in post-immigration earnings among economic principal applicant immigrants selected through the EE system.

It is not surprising that pre-immigration Canada earnings are a strong predictor of post-immigration earnings because past performance tends to be strongly associated with future performance. Such an association does not negate its potential relevance for the selection of economic immigrants. After all, the main purpose of the selection process is to identify which applicants are most likely to do well in the labour market. A high level of pre-immigration Canadian earnings is a very useful identifier if a selection goal is to choose prospective immigrants with the best earnings potentials.

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