

THE ROLE OF IMMIGRATION IN THE NEWFOUNDLAND AND LABRADOR LABOUR MARKET: A CASE FOR INCREASING ATTRACTION AND RETENTION

FINAL REPORT

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Executive Summary

The paper was commissioned by the Newfoundland and Labrador Business Coalition (NLBC) to examine the business case for increasing immigration levels in Newfoundland and Labrador.

Representing 14 major industry and business associations, the Business Coalition exists to serve the private and public business community in the province by leading organizations in working together on issues of common interest that affect employers and businesses.

Identifying effective measures to help mitigate the imminent economic and labour force impacts of population decline and population aging is a key priority for the business sector. In response to concerns from the business community about rapidly growing recruitment and retention challenges, the NLBC commissioned this report to examine the impacts of increasing immigration levels in helping to meet current and future labour demand requirements.

Immigrants and other international migrants, including temporary students and workers, have already played a significant role in helping to slow the rate of population decline and address labour demands in this province. Looking to the future, increasing immigration levels will be an essential strategy to help mitigate labour and skill shortages, sustain the provincial population, and support increased innovation and productivity for a prosperous and competitive economy in Newfoundland and Labrador.

Employment conditions in Newfoundland and Labrador's economy have improved over the past decade as a result of continued economic growth. Looking ahead for the next ten years, new job growth of 1.1% is expected up to 2017. Between 2017 and 2023 employment levels are expected to decline by -4.4% as major project developments wind down. However, job openings from an increasing number of retirees will offset these losses.

Meeting these anticipated labour demands will pose significant challenges in light of population aging and slowing population growth. Even if recent migration levels are sustained with a total net international migration of over 11,000 people and net inter-provincial migration of over 2700 people over the ten year period, the number of new labour market entrants (15 to 24 years old) will continue to decline as the older population (55+ years old) increases.

This means fewer people will be available in the labour force to fill an increasing number of job openings and labour supply pressures will continue to escalate. Under current conditions, labour shortages of over 13,000 workers could emerge by 2023.

An immediate and concerted effort by all key stakeholder groups, including industry, government, labour, community groups and training institutions, with a prioritized focus on increasing immigration and international migration, will be critical to ensure the province is prepared to maximize its economic and employment potential.

Strategies to reduce unemployment, increase participation, increase productivity and increase net interprovincial migration will be critical. However, they will not be sufficient. Increasing interprovincial net migration for example may prove difficult due to an historical propensity for workers to leave the province for jobs elsewhere and increasing competition for skilled workers from other provinces. All jurisdictions are in similar positions with respect to their aging workforces. Given the historical age profile of net migrants and the aging trends throughout the country, increasing net-migration will require a focus on young workers and retaining people here in the province.

Increasing immigration and net international migration will be essential to meet emerging labour demands. It will also be essential to support continued economic development and to help sustain the population, or at least slow the rate of decline. A scenario carried out for the purposes of this report indicates that a doubling of the immigrant levels would increase the working-age population by 7% over the next 10 years.

Increasing the number of immigrants from current levels of 740 in 2012 to about 1500 annually would help meet employment gaps, presuming all other strategies are implemented, particularly those that will focus on reducing unemployment.

Given their age and their educational and occupational profiles, new immigrants are more likely to be prepared with the right skills mix to meet emerging demands, especially in high demand occupations.

Achieving this immigration target would not necessarily mean a sole focus on new immigrants moving to the province from other countries. Temporary residents, including international students and Temporary Foreign Workers (TFWs), will also be a strong source of immigration. For example, up to 30% of all new immigrant landings in Canada are a result of applications from temporary residents already living and/or working in the country; 14% of new immigrants are TFWs.

A doubling of immigration levels is an achievable target. Key considerations for moving forward will be the need to address systemic employment and informational barriers. Negative public perceptions, inter-jurisdictional responsibilities for immigration policies and recent funding cuts for immigration supports may also limit the province's capacity to achieve increasing immigration targets.

Recommended strategies for moving forward include:

- Lobby the Federal Government to increase the cap on the Provincial Nominee Program and national immigration quotas overall;
- Strengthening partnerships between Government, industry and community to support more flexible and responsive immigration policies and services;
- Ensuring strong linkages between all levels of Government with respect to the Temporary Foreign Worker program;

- Promoting the provincial immigration strategy;
- Launching marketing campaign to assist in the attraction of immigrants, inside and outside of Canada and to help inform Newfoundland and Labrador residents about the need for, and benefits of immigration;
- Strengthening supports and services for immigrant attraction and retention including:
 - a. Increasing funding and staffing in settlement services;
 - b. Expanding pre- and post-arrival services and access to labour market information;
 - c. Increasing funding for multiculturalism initiatives such as the Welcoming Community initiatives;
 - d. Sustaining and/or increasing funding and recognition of service groups like the Association for New Canadians to support;
 - e. Expanding supports for employers;
 - f. Increasing supports for credential and experience recognition;
- Promoting and supporting communities and regions in developing long-term social and economic strategies with a focus on immigration and adopting immigrant friendly policies; and
- Increasing funding for multiculturalism initiatives.

Introduction

The paper was commissioned by the Newfoundland and Labrador Business Coalition (NLBC) to examine the business case for increasing immigration levels in Newfoundland and Labrador.

Representing 14 major industry and business associations, the NLBC serves the private and public business community in the province by leading organizations in working together on issues of common interest that affect employers and businesses. Identifying effective measures to help mitigate the imminent economic and labour force impacts of population decline and population aging is a key priority for the business sector. In response to concerns from the business community about rapidly growing recruitment and retention challenges, this report was commissioned to examine the impacts of increasing immigration levels in helping to meet current and future labour demand requirements.

As will be demonstrated in this report, immigrants and other international migrants, including temporary students and workers, have already played a significant role in helping to slow the rate of population decline and address labour demands in this province. Looking to the future, increasing immigration levels will be an essential strategy to help mitigate labour and skill shortages, to help sustain the provincial population, and to help increase the province's innovative capacity and productivity to successfully compete in the global economy.

Context

The impacts of slowing population growth and aging are a primary concern for most developed economies throughout the world. These trends will give rise to new challenges over the next several decades that will limit continued social and economic progress such as decreasing/changing consumer market demands, increasing pressures on health and social security systems and increasing tax burdens among shrinking workforces.

Within the next ten years, the most pressing impacts of current population trends will be due to structural shifts occurring in the labour force. These challenges will likely increase labour market imbalances and shortages while contributing to a decline in innovative capacity and productivity and compounding the negative impacts of other demographic challenges.

There are strong signs these impacts have already taken hold in Newfoundland and Labrador. Available employment data shows that labour force growth has not kept pace with employment growth. Job openings have been growing faster than new job seekers have entered the workforce. Employers are having a more difficult time finding workers than ever before. An increasing number of them are voicing their concerns publicly and accessing the federal Temporary Foreign Worker (TFW) program to help them address their immediate labour needs.

These labour market pressures will likely escalate more rapidly and more acutely in Newfoundland and Labrador than in other jurisdictions. The latest long-term projections from the Conference Board of Canada forecasts employment growth for the province up to 2016, followed by a period of employment decline to 2023. Overall, employment is expected to decline at an average annual rate of -0.7 percentage points in the next ten years compared to an average growth rate 1.1 percentage points over the last decade.

Despite anticipated employment declines, labour market pressures will escalate, and will perhaps be more acute here in Newfoundland and Labrador relative to most other Canadian jurisdictions. Employment declines will be more than offset by an increasing number of job openings due to retirements among the baby-boomers and a decline in new labour force entrants from the youth population. Over the next ten years the core working-age population (15-64 years old) is expected to experience a decline of 10.6%, or over 37,000, which will result in a shrinking labour force. During this same time period, the overall population will experience a marginal decline of -0.1% due to a rapidly growing number of seniors.¹

Canadian and international competition for skilled workers was intensifying just prior to the global recession in 2008. Labour market pressures subsided for a short period but have now come to the fore once again. Immigration and international migration are at the top of the list once again for most jurisdictions as a key measure to help mitigate these challenges. But the ground has shifted. The oldest baby-boomers are just now starting to leave the labour force but the bulk of this generation have yet to reach retirement age. They will within the next several years which means there is very limited time available to develop and implement comprehensive strategies.

Immediate and concerted action among all stakeholders, including business, labour, government, community groups and educational institutions will be critical to minimally ensure the province is positioned to address these labour force. Increasing immigration levels should be given priority to prevent the province from falling behind the global race to attract and retain skilled workers in the immediate to medium term. Increasing immigration levels should be given priority to help mitigate the significant economic impacts of population decline over the long-term. Increasing immigration levels should also be given priority as a key driver for innovation and productivity needed to compete in the global economy.

Overview of Paper

The remainder of this paper provides background information to support the business case for increasing immigration levels in Newfoundland and Labrador. The main sections include:

- The Role of Immigration in the Provincial Labour Market which provides a brief summary of the historical role immigration has played in the provincial labour market and recent labour market trends among immigrants.

¹ Medium Scenario Population Projections, Department of Finance, Government of Newfoundland and Labrador.

- Future Labour Force Requirements: The section summarizes results of labour force projections scenarios that prepared to help determine the potential scale of future labour supply and demand imbalances in the province.
- The Case for Immigration provides a rationale for increasing immigration as a key strategy to address labour force requirements in the province. It also highlights other significant benefits of immigration in helping to address population aging and drive economic development.
- Concluding Recommendations and Considerations provides high level recommendations and additional considerations for increasing immigration levels.

The Role of Immigration in the Provincial Labour Market

General

According to Statistics Canada's Census 2006, immigrants represented about 1.7% of the provincial population compared to 19.8% of the overall Canadian population. This disparity is due in part to immigrants' province of destination upon arrival in Canada. Like elsewhere in the world, newcomers to Canada tend to migrate to large large urban centers such as Toronto, Vancouver and Montreal.

While total Canadian immigration has averaged about 257,000 annually over the past five years, Newfoundland and Labrador has only been able to attract about 0.3% of these newcomers each year.

Migration, International Migration and Population Growth

Future labour force growth and age structure will be significantly shaped by current population trends. Natural population growth (births minus deaths), international migration and interprovincial migration are the main sources of population change.

Natural Population Growth is Slowing

In most developed countries, fertility rates have been declining and there are no expectations for significant increases anytime soon. The impact of this trend was compounded in Newfoundland and Labrador by significant out-migration among women and families of child-bearing age during the 1990's. For a period of time, the number of deaths actually exceeded the number of births in the province.

The number of deaths are now increasing at a faster pace than babies are being born. Elsewhere, natural population growth is expected to slow and eventually turn negative over the longer-term. However, negative population growth is expected in Newfoundland and Labrador within the next decade. In 2012, the number of births here in Newfoundland and Labrador was

just 158 higher than the number of deaths.² Looking ahead to the future, this means migration will play the primary role in supporting net population and labour force growth.

International Migration Has Already Played an Important Role in Population Growth

Over the past 20 years, immigration has played a vital role as a source of population growth in Newfoundland and Labrador, particularly among the core working-age population (15 to 54 years old). However, net-out migration has offset these gains, resulting in population decline of over 66,000 people.³

Between 1992 and 2012, net international migration has supplanted natural population growth as the major contributor to population growth.

Table 1:

Source of Population Change, NL, 1992 to 2012			
Period	Natural Growth (Births – Deaths)	Net International Migration	Net Interprovincial Migration
1992 to 1996	10,726	228	-30,574
1997 to 2001	3546	919	-27,293
2002 to 2006	725	1,022	-15,829
2007 to 2012	1667	3281	1381

Source: Components of Population Growth, Statistics Canada, Demography Division; Consultant Calculation.

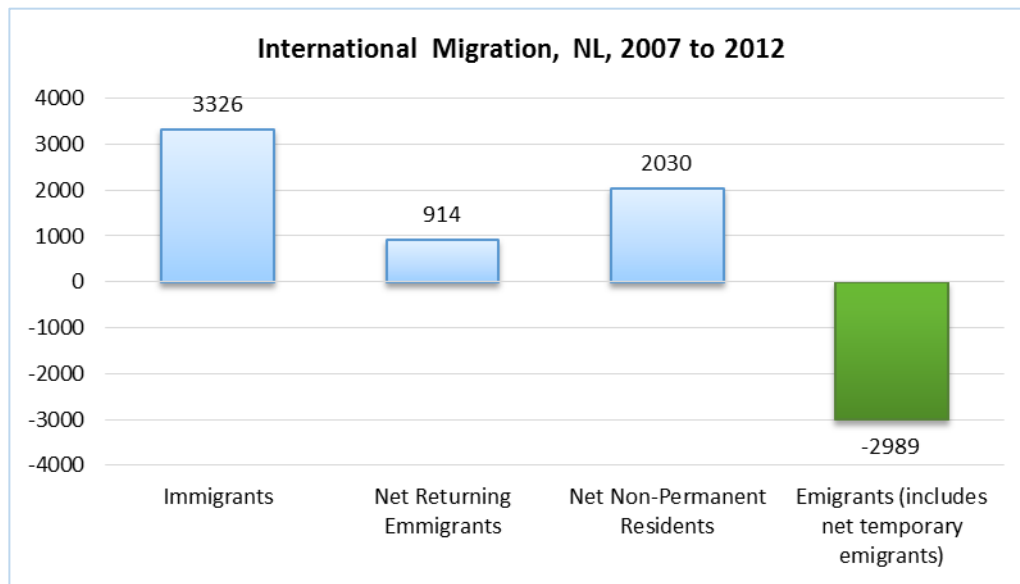
The majority of international migrants to Newfoundland and Labrador are immigrants, or persons born in another country seeking to make a permanent move and become a citizen in Canada. Other international migrants include returning emigrants who had previously left Canada to live elsewhere as well as temporary residents, mainly Foreign Temporary Workers and international students.

The majority of immigrants move to Canada as “economic” immigrants to work or start their own businesses. Other immigrants come to be reunited with their families or for humanitarian reasons (e.g. refugees).

² Components of Population Growth, Statistics Canada, Demography Division

³ Components of Population Growth, Statistics Canada, Demography Division; Consultant calculation.

Chart 1:

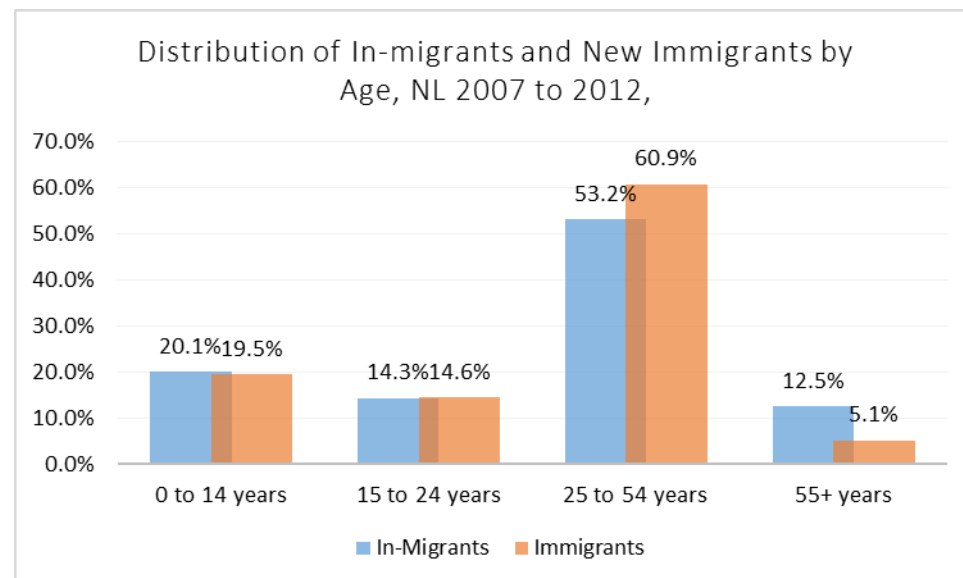


Source: Components of Population Growth, Statistics Canada, Demography Division; Consultant calculation

Migration and the Working-Age Population

Approximately 87% (2850 people) of net international migrants over the last five years were in the core working-age group of 15 to 54 year olds. However, the positive impacts of immigration on the size of the working-age population have been largely obscured by significant population losses due to out-migration. Between 2008 and 2012, the core-working age population declined by almost -3000 people due to out-migration.⁴ The proportion of out-migration that continues among 15 to 24 year olds (the youngest labour force entrants) is significant.

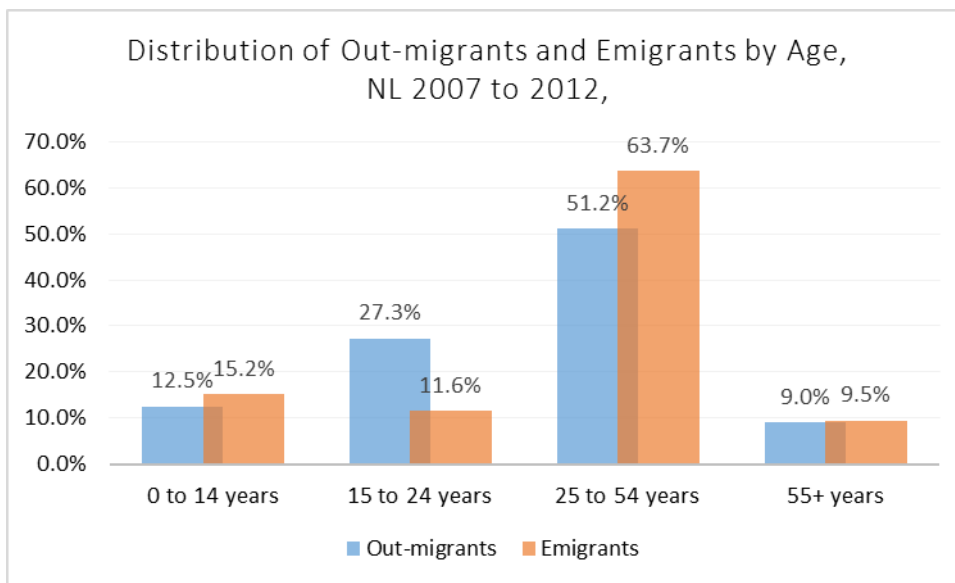
Chart 2:



Source: Components of Population Growth, Statistics Canada, Demography Division; Consultant calculation.

⁴ Components of Population Growth, Statistics Canada, Demography Division; Consultant calculation.

Chart 3:



Source: Components of Population Growth, Statistics Canada, Demography Division; Consultant calculation

Immigrants Fare Better in the Local Labour Market

In 2006, immigrants represented 2.2% of the provincial labour force. They represented 1.7% of the provincial population. Labour market outcomes for immigrants in Newfoundland and Labrador were also better than the total labour force. In 2006, relative to the total workforce:

- the employment rate among immigrants was significantly higher (54.5% versus 47.9%);
- the participation rate among immigrants was also slightly higher (60.2% versus 58.9%);
- the reported unemployment rate among immigrants was 5.2 percentage points lower;
- average income for immigrants in the labour force was reported at \$48,423 compared to \$27,637 for the total workforce; and
- 71.2% of immigrants in the working age population had a post-secondary education compared to 48.5% of the total working age population.⁵

These outcomes are better than those observed elsewhere in Canada where immigrants face stronger barriers to employment, especially recent immigrants. Labour market outcomes for immigrants in this province largely reflect their underlying reason for moving here – historically, immigrants have moved to the province for specific job opportunities, especially in hard-to-fill vacancies. Many of these types of positions have been in management occupations and occupations requiring higher skill levels such as medical professionals.

⁵ Census of Canada, 2001 and 2006

Table 2:

Distribution of the Labour Force By Occupation, NL, 2006	Immigrants	Total Provincial Workforce
Social science, education, government service & religion	17.9%	8.0%
Health occupations	16.2%	6.1%
Sales & service occupations	15.2%	24.6%
Management occupations	14.5%	7.5%
Business, finance & administration occupations	11.5%	14.4%
Natural & applied sciences & related occupations	9.8%	5.6%
Trades, transport & equipment operators & related	5.9%	16.9%
Occupations in art, culture, recreation & sport	3.5%	1.8%
Occupation - Not applicable	2.4%	2.7%
Occupations unique to primary industry	1.9%	7.0%
Occupations unique to processing, manufacturing & utilities	1.3%	5.5%

Source: Regional Labour Market Profiles, Department of Advanced Education and Skills

Statistics Canada has been collecting labour force statistics about immigrants through its Labour Force Survey since 2007. This data demonstrates that immigrants have out-paced the total workforce in Newfoundland and Labrador with respect to key labour market indicators in recent years. These trends strongly suggest immigrants have been playing an increasingly important role in meeting emerging labour demands.

As outlined in the following table, between 2007 and 2012, employment among the immigrant labour force in the province increased by 18.9% compared to 6.5% for the labour force overall. The size of the immigrant labour force increased by 25.6% compared to just 5.2% growth in the total labour force.

Table 3:

Labour Force Indicators	Change: 2007 to 2012	
	Immigrant Workforce	Total Workforce
Employment	+18.9%	+6.5%
Labour Force	+25.6%	+5.2%
Not in the Labour Force	-8.1%	-5.3%
Participation Rate	+8.5 pts	+2.6 pts
Employment Rate	+5 pts	+2.8 pts

Source: Labour Force Survey, Statistics Canada

Future Labour Force Requirements in Newfoundland and Labrador

Background

In 2011, the provincial Government released the “*Newfoundland and Labrador Labour Market Outlook 2020*”. This report provided a forecast that the province would experience over 70,000 job openings by 2020 as a result of new jobs and replacement demands arising from an increasing number of retirees.

Many of these job openings (~67%) will require post-secondary education or management experience. The strongest recruitment pressures (job openings relative to total employment) are expected to emerge in:

- occupations unique to processing, manufacturing, and utilities;
- health occupations;
- management occupations;
- business, finance, and administrative occupations; and
- sales and service occupations.

Occupations with strong and above average job prospects include:

- business, finance, and administrative occupations;
- sales and service occupations;
- trades, transportation, and equipment operators;
- health occupations;
- management occupations;
- occupations in social science, education, government service, and religion;
- occupations unique to primary industry; and
- natural and applied sciences and related occupations.

The report also provided information about potential labour pools that employers would need to rely on to help meet these anticipated demands and respond to increasing recruitment and retention pressures. These groups included women, traditionally underrepresented groups (e.g. persons with disabilities and Aboriginal populations), older workers, interprovincial in-migrants and immigrants.

On the ground, there has been a growing awareness of the significant labour market adjustments that are occurring. This is particularly evident in the increasing number of Temporary Foreign Workers (TFWs) coming to the province. Between 2008 and 2012, the number of TFWs increased by 76.4%, from 1295 to 2285 workers.⁶ About 16% of these workers helped meet labour demands in areas outside St. John’s.

⁶ Citizenship and Immigration Canada, Facts and Figures 2012.

Given the province's high unemployment rate, the increasing trend in the use of TFWs is giving rise to debate on optimal strategies to help meet labour demands, including whether immigration levels should be increased.

A first step towards resolving this debate is determining the scale of potential labour shortages and imbalances, or rather how many labour force participants may be needed to meet expected job openings in the future.

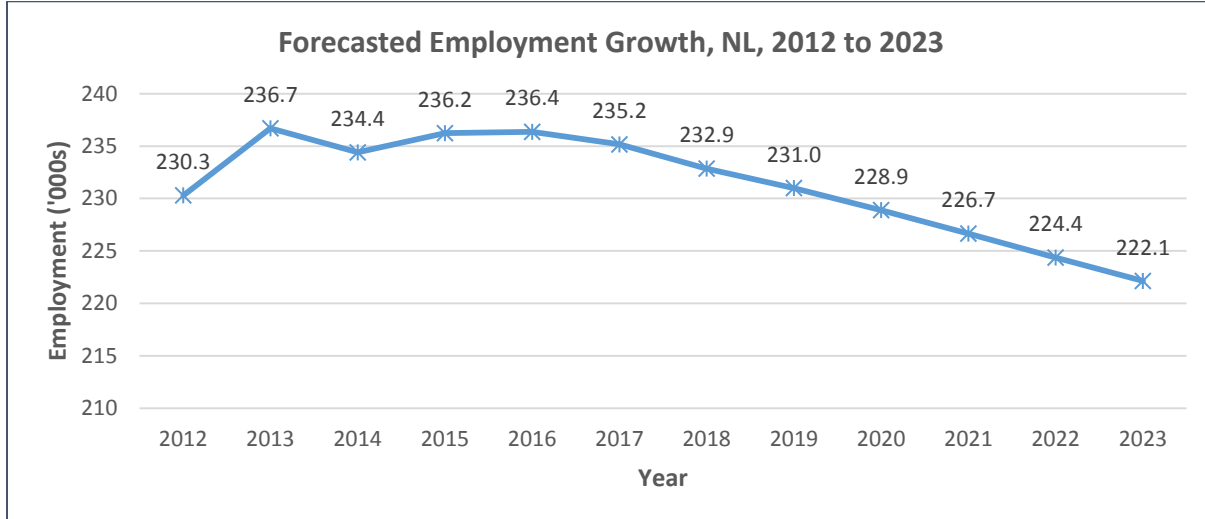
A Supply-Demand Outlook for Newfoundland and Labrador

To support this process, scenarios for future labour supply-demand were projected for the 2012 to 2023 period. Appendix A provides a description of the methodology used for these scenarios.

Labour Demand

Employment is expected to grow by 1.1% by 2017 and subsequently decline by -4.6% by 2023. Despite a decline in net new job growth, replacement demands will steadily increase over the forecast period.

Chart 4:



Source: Conference Board of Canada; Department of Finance

Labour Supply

Assuming that net annual international migration remains at 2012 levels and net inter-provincial migration is at the five-year historical average for (2007 to 2012), according to the population forecast created for the labour force scenarios, the working-age population is expected to decline by over 3,000 people between 2013 and 2023.

In total, this requires net international migration of 11,670 people and net interprovincial migration of 2762 people to the province over the ten year period.

Table 4:

Projected Working-Age Population for Newfoundland and Labrador ('000s)			
	2013	2018	2023
TOTAL			
15+ years	437.6	438.0	433.8
15 to 24 years	58.9	50.8	48.1
25 to 44 years	124.8	120.4	114.3
45 to 54 years	83.3	75.4	65.3
55 to 64 years	81.9	83.8	81.7
65+ years	88.8	107.6	124.3
Men			
15+ years	212.9	212.1	208.9
15 to 24 years	30.3	26.0	24.7
25 to 44 years	60.6	58.6	55.7
45 to 54 years	41.0	36.8	31.8
55 to 64 years	39.8	40.6	39.5
65+ years	41.2	50.2	57.2
Women			
15+ years	224.7	225.8	224.9
15 to 24 years	28.6	24.8	23.4
25 to 44 years	64.2	61.8	58.6
45 to 54 years	42.3	38.6	33.5
55 to 64 years	42.1	43.2	42.2
65+ years	47.6	57.5	67.1

See Appendix A for Methodology

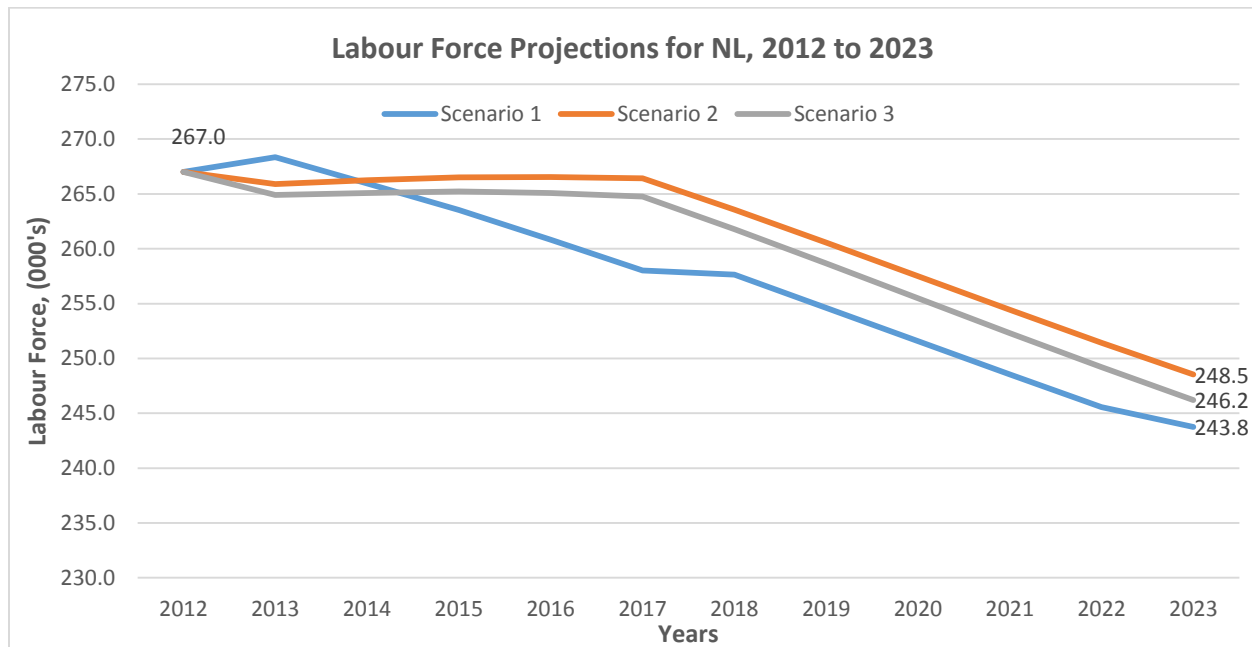
Labour Force Scenarios

As outlined in Appendix A, labour force scenarios were created based on three different assumptions for participation rates by gender and eleven five-year age groups (15+ to 65+ years old). These assumptions included:

1. Keeping participation rates constant at 2012 rates (Scenario 1)
2. Allowing participation rates to change at a ten-year historical rate (Scenario 2); and
3. Allowing participation rates to change at a twenty-year historical rate (Scenario 3).

In all scenarios, the labour force will decline by -6.9% to -8.7% between 2013 and 2023.

Chart 5:

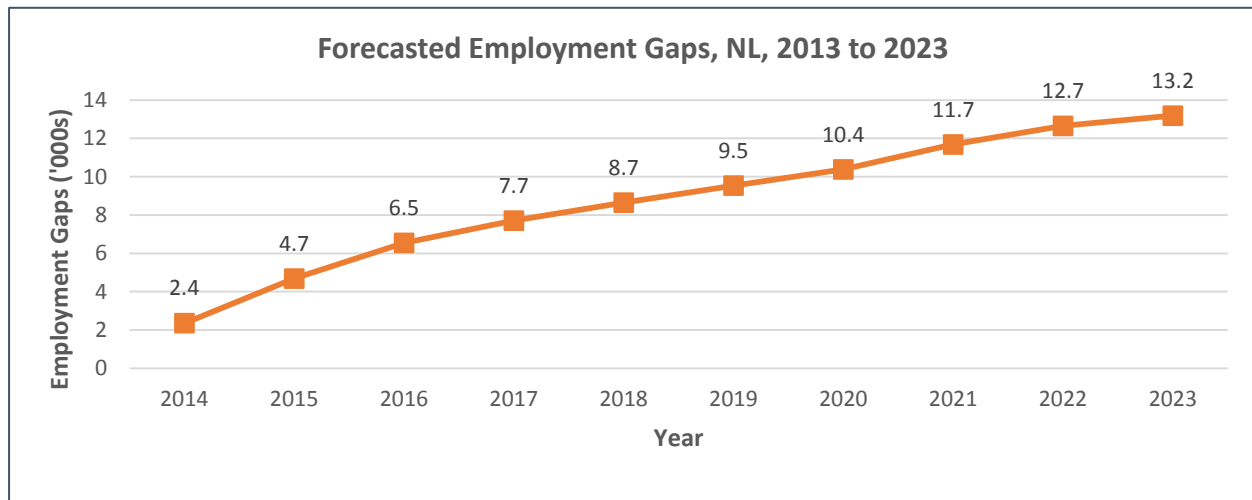


See Appendix A for Methodology

At this aggregate level, and despite the decline in the labour force, it would appear that each of these scenarios will provide sufficient labour supply to meet anticipated employment demands previously outlined in Chart 4.

However, significant imbalances emerge throughout the projection period among the different age and gender groups. The best case scenario is Scenario 3 (under this Scenario, participation rates follow 20 years historical trends). In the latter half of the forecast period, unemployment rates increase quickly among the oldest age groups, leading to an excess of workers among 55+ year olds while the unemployment rates fall to zero among other groups (e.g. males 40 to 49 years old). When the unemployment rate is adjusted for these latter cases to a 5% minimum, employment gaps emerge among different age groups that may rise to -13,200 by 2023.

Chart 6:



See Appendix A for Methodology

These results point to the significant impacts of the structural age shifts that are occurring within the population and overall labour force. Based on Scenario 3 above, labour force levels will decline among all age categories except those 55+ years old. The largest declines will be observed among male labour force participants.

Table 5:

Forecasted Change in the Labour Force ('000s), By Gender and Age, NL, 2013 to 2023			
Age	Total	Males	Females
15+ years	-32.8	-18.9	-13.9
15 to 24 years	-7.0	-3.8	-3.3
25 to 44 years	-12.4	-6.2	-6.2
45 to 54 years	-17.9	-9.4	-8.6
55 to 64 years	-1.4	-1.8	0.4
65+ years	5.9	2.2	3.7

See Appendix A for Methodology

In past, growing employment conditions generally meant increasing labour force participation. In the future, population dynamics will be playing the most significant role in determining availability of labour.

The labour force scenarios presented represent the “ideal” outcomes based on current population structure and environmental conditions. It assumes that there is an available pool

of workers, with the right skill mix, among the unemployed and those not in the labour force that will be willing to stay or enter the labour force.

This analysis does not factor in other underlying structural issues and dynamics within the provincial labour force such as the impacts of seasonality, the rural/urban distribution of the labour force, employment policies and occupational/industry specific skill demands. With respect to the seasonality impact for example, the 'balanced' unemployment rate would likely have to be higher than 5%. The current unemployment rate reflects the average of unemployment across all months as opposed to at peak periods during the year. An annual unemployment rate of 5% could reflect an unemployment rate of 7% for six months of the year and 3% for the other six months.

The scenarios were constructed at the current point in time to demonstrate the potential scale of shortages. They do not take into account changing environmental conditions (e.g. potential business cycles - up or down - in the economy; increasing employment demands should new project developments come on stream).

Addressing the Gaps

Left unaddressed, these potential labour gaps and mismatches pose significant implications for the future. Outside of the obvious dampening of job growth, there are a variety of other direct and indirect impacts to consider from lost productivity to increasing dependency ratios that will place increasing work pressures and tax burdens on the employed population.

There are a limited set of responses available to help address unmet labour demand or to ensure continued economic growth. These include:

- (1) Reducing unemployment;
- (2) Increasing participation among those not in the labour force;
- (3) Increasing labour force participation through population growth – Interprovincial Migration
- (4) Increasing productivity
- (5) Increasing labour force participation through population growth – International Migration

Reducing Unemployment

The most obvious measure to address gaps and imbalances would be to further reduce unemployment, especially among the different age and gender groups.

This would require structural shifts within the labour force with respect to the historical share of employment held by various age and gender groups. Scenario 3 discussed above assumes no adjustments occur among age and gender groups with respect to the share of employment. An ex-post scenario (Scenario 3.1) was carried out to determine the extent to which unmet

demands could be met should such adjustments occur. The results of this analysis indicated that unmet demands could drop to -6000.

A significant shift in the share of employment held by older age groups would also need to occur, particularly among older age groups and women. Further adjustments in employment share (reducing unemployment) would mainly include workers 55 years and older and young workers 15 to 24 years old.

Increasing participation in this latter group must be balanced with other policy objectives such as education. The more young people that enter the workforce will potentially have a negative impact on the numbers that are pursuing post-secondary education. Reducing unemployment in the older age category will require more concerted, focused strategies than are currently in place. For example, these workers tend to have lower education levels that will require alternative approaches to ensure they acquire the skills needed to meet demands.

Increasing Participation Among Those Not in the Labour Force

Under Scenarios 2 and 3, participation rates are increased over the forecast period. This already assumes an additional 20,000+ people entering the labour force from the existing population that is not in the labour force today.

Further reducing unemployment and increasing participation are labour force shifts that will require a significantly increased effort or new supports and measures, particularly for older workers and persons in the 30 to 39 year age group. This latter group would be at the prime family growth stage – ensuring available childcare supports would be critical to ensure labour force participation or avoid further declines in fertility rates.

As with the older workforce, further increases in participation among the remaining population of persons not in the labour force will likely require significant incentives and training and/or social investments, especially given the increasing skill demands in the economy, and a natural decline in productivity among older workers. Many of these individuals may not want to work (e.g. retirees or potential retirees) or face significant barriers to employment.

Increasing Labour Force Participation Through Population Growth: Interprovincial Migration

Labour market tightening will be occurring across all Canadian jurisdictions over the forecast period. This means the competition for workers will escalate. In the current scenarios the average 5-year historical net migration level was assumed which results in net in-migration of over 275 people each year.

However, as recently as this past year Statistic Canada data indicates net out-migration is still occurring (-1556 in 2012) despite improving conditions in the province. This is due largely to escalating competition from other jurisdictions and a strong propensity towards out-migration among the current population, especially among youth. Furthermore, net in-migration has also

occurred only in 3 of the last 20 years. As competition increases, it will be more difficult to attract new in-migrants from other provinces.

Greater benefits may be achieved through retention strategies among the local population.

In addition to these considerations, the population impacts would need to be carefully examined. For example, net in-migration results in a relatively larger share of young people (0 to 14 years old) moving here with their families as well as older individuals. Because of the large number of out-migrants among the core working-age group (25 to 54 years old), and considering that population aging is occurring throughout the country, there may not be positive impacts for the local workforce in terms of helping slow the decline here in Newfoundland and Labrador.

To demonstrate these potential impacts, the population forecast was adjusted to allow for an increase in net in-migration. Net in-migration levels were increased from 275 annually to about 1400 annually, almost 6 times higher.

The results indicate that the rate of total population decline would slow, and stand about 6,600 higher than originally projected. However, the working-age population would decrease at a faster pace, with over 17,000 fewer potential labour force participants.

All of these considerations indicate potential constraints that will need a focused approach to help mitigate. Increasing net-interprovincial migration will need to occur, but it will require changing the historical trends that have long been occurring when age and gender are taken into account.

Reducing Employment Demands Through Productivity Measures

Increasing productivity is most often associated with strategies to directly increase competitiveness and profitability of firms. However, it will also become a critical measure to help mitigate the impacts of increasing employment gaps and imbalances.

Adoption of new technologies and processes can help offset human resource requirements. But this could be double-edged sword. An aging workforce means that there will be naturally occurring declines in workforce productivity that are associated with age. Productivity measures would be needed to offset this impact, as well as potential productivity losses associated with worker shortages or recruitment and retention delays.

The future workforce will not only be older, it will also be comprised of an increasing number of workers who have not traditionally participated in the workforce and who may encounter relatively higher employment barriers, including lower skill levels. Successful adoption of new processes and technologies requires a skilled workforce. Successful identification of potential productivity measures in the first place will also require a strong innovative capacity among workers within the firm or industry.

Investments will be needed to ensure workers have the skills needed, requiring an increased focus on workplace training. As labour pressures escalate, workplace training may prove more efficient than seeking outside or formal training.

Increasing Labour Force Participation Through Population Growth – International Migration

Increasing net international migration levels, and immigration in particular, is another of the main approaches that will assist in meeting future labour requirements in Newfoundland and Labrador. Relative to the other approaches discussed, increasing immigration levels may provide the optimal approach in terms of prioritization and investment, especially when other potential benefits for the economy and province are considered. Given the purpose of this report, the workforce impacts of increasing immigration are discussed in the next section of this report – “A Case for Immigration”.

A Case for Immigration

Workforce Benefits and Considerations

Immigration levels in Newfoundland and Labrador would need to increase to upwards of 1500 annually, or double the 2012 level, to help meet required labour demands for the labour force scenarios outlined in this report.

An Achievable Target

Doubling current immigration levels may seem, at first glance, like an ambitious. However, it is doable with the right supports and conditions and strong action now. Increasing immigration levels will also provide a relatively more efficient approach to help address labour market needs, especially over the short to medium term.

An immigration level of 1500 represents just 0.6% of all immigrants that come to Canada annually. This is well under the province's share of the total Canadian population at 1.5%.

The target for immigration does not require a sole focus on new permanent entrants to Canada. The target could also be mitigated with a focus on temporary residents including Temporary Foreign Workers (TFWs) and International students as well as Provincial Nominees.

Approximately 31% of all new landed immigrants in Canada 2012 were temporary residents that applied for permanent residency.⁷ About 30% of these individuals (or 14% of the total immigrants last year), were TFWs and 10% were international students. In 2012 there were 2551 TFWs in the province, 18.5% were working in rural areas of the province. There were also 2050 international students living in the province on temporary visas.

Provinces with active immigration strategies have been gaining ground in increasing their immigration levels. Manitoba for example, represents 3.5% of the Canadian population yet receives over 4.5% of annual immigrants to the country. This has been due to its aggressive Provincial Nominee program. This program accounts for over half of all immigrants to Manitoba. Since the program's inception, the immigration rate in Manitoba soared from 3.3 immigrants per 1,000 people in 1999 to 9.3 in 2008 and the province has achieved its highest population growth rate in over 50 years.⁸

⁷ Derived from Facts and Figures 2012, Citizenship and Immigration Canada.

⁸ Manitoba Immigration Fact 2008

Despite increasing competition across Canada for skilled workers, Newfoundland and Labrador has been able to maintain the share of new immigrants each year. In fact, between 2009 and 2012 there was a slight increase to 0.3% of all immigrants to Canada from 0.2% in the preceding 10 years.

However, competition has intensified significantly over the past several months. Most jurisdictions are calling on the Federal Government to increase annual immigration levels. Many provinces are calling for an increase in Provincial Nominee caps. The cap is currently set at three hundred per year in this province.

Provinces and other jurisdictions are stepping up the competition game with innovations to increase immigrant attraction and retention. This includes Nova Scotia's strategy to double immigrant levels from 3,600 to 7,200 over the next ten years, Alberta's new program that allows temporary residents to self-nominate to their Provincial Nominee Program, and British Columbia's International Student Strategy.

Labour Market Readiness

Labour market outcomes for immigrants who have been working in the province for a few years are actually better than those for the total workforce. Labour market outcomes, including participation in the workforce, have also been improving and at a much faster pace than the total workforce.

Taking these observations into account, immigrants may be more ready to quickly and successfully integrate within the provincial labour market when compared to potential employment barriers, such as education, that will need to be addressed to increase participation among the local workforce.

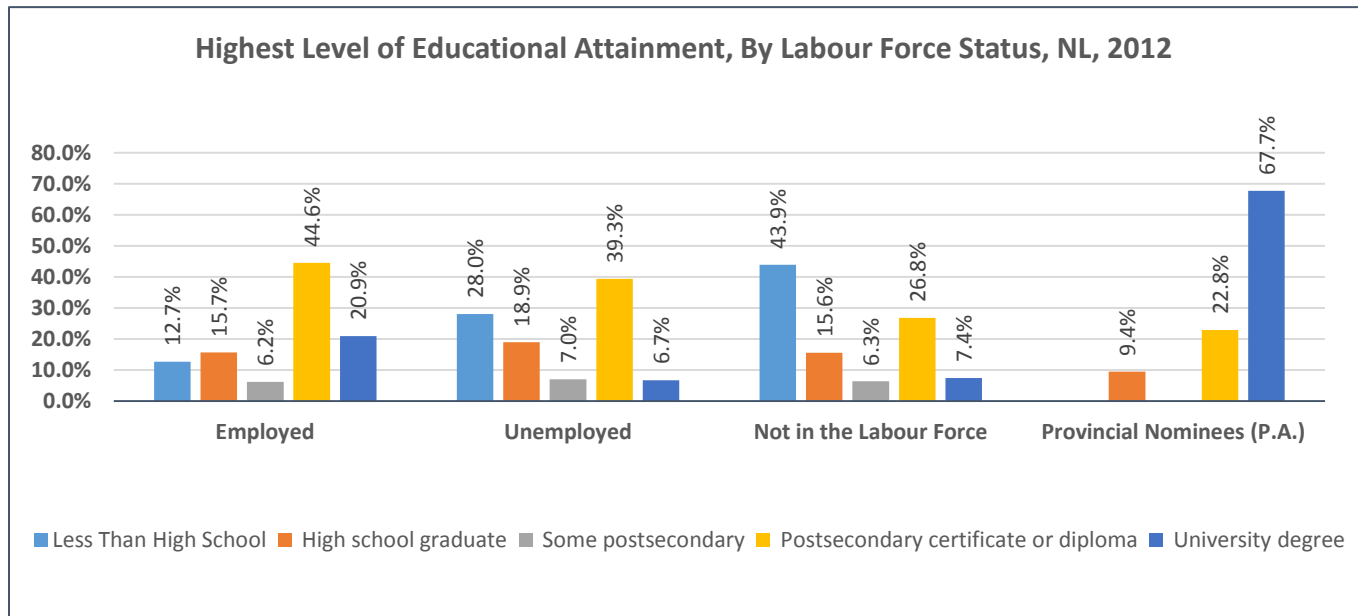
An educational profile of international migrants who have moved to the province over the past 5 years under the Provincial Nominee Program (PNP) shows that recent immigrants have much higher levels of education relative to our current workforce and those not in the labour force.

This is not meant to suggest that immigrants do not face employment challenges. Commonly cited barriers for immigrants throughout Canada include a lack of domestic work experience, a lack of recognition of immigrants' international qualifications and experience, language barriers, a lack of workplace integration and diversity programs and discrimination.⁹

⁹ Labour Market Information For Employers and Economic Immigrants in Canada: A Country Study, CSLS Research Report 2013-01, Vikram Rai, May 2013

A lack of access to information for immigrants (pre-arrival and post-arrival) about the local labour market, and a lack of access to information for employers with respect to recruitment processes and available programs and supports are also challenges.¹⁰

Chart 6:



Source: Statistics Canada, Historical Labour Force Review; Government of Newfoundland and Labrador, Provincial Nominee Program Fact Sheet. P.A. indicates data is for principal applicants to the PNP.

Access to settlement services, especially in the early days of arriving to the province and Canada, is a critical support that can assist immigrants, and their families, in adjusting not only to new workplaces, but within their new communities as well. A holistic range of supports will be essential for attracting and supporting new immigrants, and for increasing immigrant retention rates. Between 2000 and 2006, the province retained only 43.5% of newcomers that moved to the province in that period.¹¹

Participation rates among recent immigrants who moved within the past five years are generally lower than those who moved 5 to 10 years ago. Increasing access to these types of supports for recent newcomers will help facilitate earlier integration in the labour force and help increase participation levels, without a net increase in the number of actual new immigrants.

¹⁰ Labour Market Information For Employers and Economic Immigrants in Canada: A Country Study, CSLS Research Report 2013-01, Vikram Rai, May 2013

¹¹ The Interprovincial Mobility of Immigrants in Canada, Ima Okonny-Myers, Research and Evaluation, Citizenship and Immigration Canada, June 2010

Complementary Skills and Hard-to-Fill Positions

Many of the occupations that immigrants have traditionally filled in Newfoundland and Labrador are among those that will see the strongest labour market pressures over the coming decade, mainly in high-skilled areas. This means that immigrants can complement and help diversify the local workforce without displacing workers. They will also assist businesses in more efficiently filling hard-to-fill positions.

Just over 73% of Provincial Nominees in the last five years moved to the province for high-skilled jobs, particularly in the health, natural and applied sciences and business sectors.¹²

Labour Force Growth

Increasing immigration will help slow labor force decline. A scenario was developed to determine the impacts of doubling immigration. The results indicated that relative to the base population model used in this report, the rate of population decline slowed, and, perhaps more importantly, the working-aging population by the end of the forecast period was 2% higher.

This is a significant consideration in light of anticipated shortages as well as the economic impacts of labour force decline. The Conference Board of Canada projects that Newfoundland and Labrador will have one of the fastest declining labour forces in the country, potentially declining by 13% by 2031. Research shows that increasing participation has resulted in an average annual increase to GDP of 0.5%.¹³ The full impact of potential economic losses that population and labour force decline have yet to be measured.

The Population

There is a perfect storm brewing, with a declining population base at its center and significant social and economic impacts at the end of the day. Increasing immigration may not reverse population decline, but it can certainly help slow down the decline and the decline in GDP that will likely result.

Immigration and overall international migration will play a vital role in helping sustain population growth, and growth of the labour force overall in most jurisdictions. Recent projections indicate that immigration in Canada will account for more than 80% of Canada's population growth by 2031. The same report indicates that "...without a sustained level of immigration or a substantial increase in fertility, Canada's population growth could, within 20

¹² Government of Newfoundland and Labrador, Provincial Nominee Fact Sheet 2012.

¹³ Meeting the Skills Challenge: Five Key Labour Market Issues Facing Atlantic Canada, October 2012, David Chaundy, with contributions from Fred Bergman and Ryan MacLeod

years, be close to zero.”¹⁴ Researchers estimate that sometime between 2011 and 2016 immigrants will account for 100% of net labour force growth.¹⁵

Given that Newfoundland and Labrador has one of the most rapidly aging populations in Canada and continued population decline throughout the 1990 to 2005 period, it is safe to conclude that immigration will also play a central role in supporting population and labour force growth here as well.

Evidence already shows that immigration is now the major contributor to net population growth in the province and the propensity for immigration has been increasing. Immigrants have a younger age profile than the total province which would also assist with helping to increase the number of families with children to help further sustain the population in future.

The Economy, Productivity and Innovation

Research also indicates that increasing immigration has positive economic impacts with respect real GDP and GDP per capita, aggregate demand, investment, productivity, and government expenditures, taxes and especially net government balances, increasing wages and increasing the number of new business start-ups.^{16,17}

The Conference Board of Canada estimates that a one-percentage-point increase in the number of immigrants to Canada can increase the value of imports into Canada by 0.21 per cent and raise the value of exports by 0.11 per cent.¹⁸

Increasing immigration can directly boost innovation and productivity from a practical perspective and at the firm level. However, the overall impacts are even greater for the sustainability of the economy and the province. Innovation is the driving force for productivity and growth in the new economy. Immigrants are a proven resource for driving innovation and productivity as has been cited frequently in the research and media with examples such as:

- one hundred researchers in the United States received a Nobel Prize between 1901 and 1991 – half were won by foreign-born researchers or first-generation immigrants;¹⁹

¹⁴ Population growth in Canada: From 1851 to 2061; Population and dwelling counts, 2011 Census Catalogue no. 98-310-X2011003

¹⁵ The role of migrant labour supply in the Canadian labour market, Stan Kustec, Citizenship and Immigration Canada, June 2012

¹⁶ <http://www.whitehouse.gov/blog/2013/07/10/economic-benefits-fixing-our-broken-immigration-system>

¹⁷ Christopher Ragan: Canada's Looming Fiscal Squeeze, The Macdonald-Laurier Institute, 2012

¹⁸ HR Reporter, October 18, 2010; <http://www.hrreporter.com/articleprint.aspx?articleid=8310>

¹⁹ Ayelet Shachar, Faculty of Law, University of Toronto. The Race For Talent: Highly Skilled Migrants and Competitive Immigration Regimes NEW YORK UNIVERSITY LAW REVIEW Vol. 81:148

- a one percentage point rise in the share of immigrant college graduates in the population increases patents per capita by 6% and that immigrants do have positive spill-overs, resulting in a total increase in patents per capita of about 15%;²⁰
- at least 35 per cent of Canada Research Chairs are foreign-born, even though immigrants are just 20 per cent of the Canadian population, immigrants to Canada win proportionally more prestigious literary and performing arts awards and foreign direct investment into Canada is greater from countries that are well represented in Canada through immigration.²¹

²⁰ How Much Does Immigration Boost the Economy?, Jennifer Hunt, Marjolaine Gauthier-Loiselle, Working Paper 14312, <http://www.nber.org/papers/w14312>, National Bureau of Economic Research, 2008

²¹ HR Reporter, October 18, 2010; <http://www.hrreporter.com/articleprint.aspx?articleid=8310>

Concluding Recommendations and Considerations for Moving Forward

Like many jurisdictions, Newfoundland and Labrador is facing significant challenges over the coming decades as a result of population aging and population decline. Labour force decline and potential skill and labour shortages are an imminent challenge for the province within the next ten years, especially in context of the positive economic outlook up to 2017. Labour supply pressures will continue to escalate thereafter, even in the absence of employment growth, as a result of increasing job openings left by a growing number of retirees among the baby-boom generation.

An immediate, concerted effort among business, labour, government, training institutions and other key stakeholder groups will be critical to helping ensure the province has the labour supply it requires to fulfill its economic potential. The status quo with respect to current approaches by all stakeholders will be necessary but it will not be sufficient to address the potential imbalances. Responses available to help address unmet labour demand or to ensure continued economic growth include:

- (1) Further reducing unemployment;
- (2) Increasing participation among those not in the labour force;
- (3) Increasing labour force participation through population growth – Interprovincial Migration;
- (4) Increasing labour force participation through population growth – International Migration; and
- (5) Increasing productivity.

Strong action and a holistic, inclusive approach that utilizes all these measures will be required. In terms of prioritization, immigration and international migration should be at the top of the list given its positive potential impacts on the labour market as well as the economy and population.

Efforts should focus on attracting and retaining new immigrants, strengthening the Provincial Nominee Program, providing employment supports and settlement supports for recent immigrants and supporting Temporary Foreign Workers (TFWs) and international students in making the transition to permanent residents.

In addition to considerations noted throughout this report, other issues that will need to be considered in order to achieve increasing levels of immigration include:

- **Public Perception:** Newfoundland and Labrador has the highest rate of unemployment in the country. Efforts to increase immigration may be received negatively. A solid marketing strategy will be essential to help the public understand the issues and implications of current population trends.

- **Jurisdictional Responsibilities:** Jurisdictional responsibility for immigration policy primarily lies with Federal Government, through the Department of Citizenship and Immigration Canada. This means that increases to overall quotas of immigrants to Canada is set by the Federal Government while provinces and territories and community agencies play a role in delivering programs and supports for immigration.

There are three main government programs through which immigrants can enter Canada including:

- The Federal Skilled Workers Program (FSWP) selects candidates for immigration through a point system that includes, among other criteria, education, English and French language skills, and prior work experience.
- The Temporary Foreign Worker Program (TFWP) allows businesses to hire a Temporary Foreign Worker belonging to various occupational classifications. TFWs were originally confined to workers in higher skilled jobs but has expanded to include a stream for lower-skilled workers. TFWs who have Canadian work experience can now apply to become permanent residents and immigrate to Canada more quickly under the Canadian Experience Class (CEC). Despite its growth in recent years, the TFWP is not well understood by many employers throughout the province and the program is difficult for small and medium sized businesses to access, as the paperwork is considerable.²²
- The Provincial Nominee Program (PNP) allows provinces to develop their own criteria for immigration applicants and approve them, as an alternative route of entry to the FSWP. In Newfoundland and Labrador this program is administered by the Department of Advanced Education and Skills (AES). This program was given priority with the launch of the Provincial Immigration Strategy in 2007. Since that time the program has been highly successful in helping raise immigration levels to the province.
 - Going forward, recent budget reductions and the annual cap of 300 persons that can be admitted to the PNP each year may constrain further progress. Between 2008 and 2012, the number of annual Provincial Nominees (PNPs) increased from 116 to 250. The vast majority of these individuals are highly skilled and 50% moved to areas outside of St. John's. In total, there have been 2163 newcomers to the province over this period when principal PNPs and their dependents are considered.²³ The Federal Government has capped this program at a maximum of 300 for the province.
- A New Expression of Interest Model of Immigration: The Federal Government will be launching a new program in January 2015 that will better assist

²² Labour Market Supply and Demand Matching Study in Newfoundland and Labrador, Roslyn Kunin and Associates Inc., 2013

²³ Provincial Nominee Program: Immigration Fact Sheet, Department of Advanced Education and Skills, 2013

employers in finding skilled immigrants by allowing them to screen potential applicants and helping expedite the immigration process for the successful applicants.

- Other Supports and Services: AES is also responsible for providing settlement services for immigrants while the Association for New Canadians, a non-profit group, provides a range of integration and settlement, language training and employment supports. These support programs have also experienced funding cuts, most recently with the provincial Budget 2013, that may negatively impact their service delivery capacity. Some industry associations are also providing supports to employers in accessing current immigration programs.²⁴

Based on these considerations, recommendations for potential actions in moving forward include.^{25,26}

- Lobby the Federal Government to increase the cap on the Provincial Nominee Program and national immigration quotas overall.
- Strengthen partnerships between Government, industry and community to support more flexible and responsive immigration policies and services, such as increasing the capacity of industry associations in providing immigration supports for employers.
- Ensure strong linkages between all levels of Government with respect to the Temporary Foreign Worker program.
- Better promote the provincial immigration strategy.
- Launch a marketing campaign to assist in the attraction of immigrants, inside and outside of Canada.
- Launch an educational campaign to inform Newfoundland and Labrador residents about the need for, and benefits of immigration.
- Strengthen supports and services for immigrant attraction and retention within the province to help address employment and informational barriers for immigrants and employers. This would include:
 - a. Increasing funding and staffing in settlement services;
 - b. Expanding pre- and post-arrival services and access to labour market information;
 - c. Increasing funding for multiculturalism initiatives such as the Welcoming Community initiatives;
 - d. Sustaining and/or increasing funding and recognition of groups like the Association for New Canadians to support:

²⁴ Labour Market Supply and Demand Matching Study in Newfoundland and Labrador, Roslyn Kunin and Associates Inc., 2013

²⁵ Labour Market Supply and Demand Matching Study in Newfoundland and Labrador, Roslyn Kunin and Associates Inc., 2013

²⁶ Labour Market Information For Employers and Economic Immigrants in Canada: A Country Study, CSLS Research Report 2013-01, Vikram Rai, May 2013

- i. Language outreach
 - ii. Labour market integration programming and e-counselling;
 - iii. Specialized services dedicated to integrating and settling newcomers (both refugees and main stream immigrants).
 - e. Expanding supports for employers to:
 - i. increase their awareness of various immigration programs and how to access them;
 - ii. expand recruitment methods;
 - iii. implement culturally sensitive recruitment and screening practices;
 - iv. assist immigrants' integration in the workplace;
 - v. recognize international education and experience; and
 - vi. build culturally inclusive organizations.
- Promote and support communities and regions in developing long-term social and economic strategies with a focus on immigration and in adopting immigrant friendly policies.

Appendix A

Demand

The demand projection was produced using 2 sources. The Department of Finance projection for 2013-2015 as per key statistics information on their website as at July 10, 2012. Subsequently, the Conference Board of Canada's 2011 long-term employment forecast growth rates for 2016-2023 were applied to the 2015 employment statistic.

Supply

A modified population projection was created using the Department of Finance's Medium Population Projection for 2012, by 5-year age groups and gender, as the baseline. Statistics Canada's Components of Population Growth was used to project net interprovincial migration rates and death rates (by 5-year age groups and gender) and birth rates growth trends based on five-year historical averages. The 2012 levels for international migration were held constant throughout the period. Statistics Canada's Labour Force Survey working-age population levels were standardized to the population projection.

Three labour force scenarios were generated gender and 5-year age groups based on: (1) keeping participation rates at 2012 levels and (2) allowing participation rates to grow at their 10-year historical average rate and (3) allowing participation rates to grow at their 20-year average historical rate.

These three scenarios were constrained to a 5% unemployment rate to determine the extent of potential imbalances. This recognizes that zero unemployment cannot occur in a "healthy" functioning labour market.

A fourth labour force scenario was created to determine the extent to which structural shifts in employment by 5-year age and gender groups would help meet unmet labour demands.

Key points and/or steps for consideration include:

- The Conference Board of Canada's long-employment forecast for the province was used as the basis of anticipated labour demand. This forecast provided the longest-term outlook available, the outlook was consistent with patterns observed in Outlook 2020 and it allowed for comparable analysis with supply side data used from Statistics Canada's Labour Force Survey.
- This forecast was constructed to help determine the extent of changes and the scale of potential labour force shortages/imbalances and the potential need for increasing immigration levels for the future. This forecast is not intended to provide an accurate determination of absolute gaps on a year-over-year basis.