

HEADLINE: Round Table on Creating a More Efficient Labour Market in Canada Hosted by the Centre for the Study of Living Standards: Session 3 on Immigration and the Needs of the Labour Market

PRINCIPAL: Alice Nakamura, Professor, University of Alberta

Moderator: Our second speaker is Alice Nakamura from the University of Alberta. Alice?

**Alice Nakamura:** Thank you. I've been invited here to share what I see as reality so I've got to begin by saying that although I agree with what Paul Swinwood just said about the software developers program being a success story, I disagree with the premise that immigration can be or should be a key platform of how we're going to deal with our skill shortages. I agree that the program was a success in terms of admitting needed talent. In fact I hired somebody under it; somebody who is now in London in a half million-dollar job. Workers in other countries will be greatly affected by perceptions of advantages in other places in the world; I would argue, more greatly affected than the native-born. So I would see Canadian employers as less advantaged in being able to hold onto the foreign-born than they are in being able to hold onto the Canadian-born. If you take a worker who was born somewhere else and who has decided to look the world over for another place to go, that is a person who isn't going to have other things holding them back when, say, a US company or a London company comes along and offers them more money.

A second reason I question the emphasis on immigration as a main way of dealing with skill shortages is that it makes us dependent on better planning and skill development being carried out somewhere else in the world, and somewhere that people are willing to leave to come here. How else could it be that somewhere else in the world there are those people we could attract and hire when we didn't train enough of that talent here?

A third reason that I have a problem with this approach is that it leaves us at the risk of the appearance, if not the reality, of poaching from other countries that are less well off. If we'd gone and stolen a Soviet work of art that had been paid for by their citizens and then it showed up in one of our museums, it would be a problem; we would see that. Now, if that same picture had legs and simply got up and walked away of its own free will, perhaps there isn't a problem; who knows? And, if we actively encouraged it to get up and walk our way...?

In thinking about our immigration program and our talent needs, I feel we should focus more on things that improve the general attractiveness of working in this country as opposed to focusing more narrowly on things that just have to do with the immigrants themselves. If we look at the law, too, the immigration law says that there are three main aspects of what immigration is supposed to be

accomplishing and the first of those is to reunite families. It's only the third that has to do with economic development. Now, when we admit large numbers of immigrants for economic development purposes, they in fact become entitled to bring in family members and a variety of other relatives. And every one of those people becomes entitled to bring in others. I don't know if you've looked lately at the distribution of education for the relatives brought in by economic and, in particular, business immigrants. It's not all that favourable from the perspective of improving Canada's human capital. Also, many of the women who enter as supported spouses, later end up on their own due to widowhood, divorce, or other sorts of separation. At that point, many of them have grave difficulties finding a place in the labour market. Immigrants who come to Canada without prearranged employment, and especially those who come without being proficient in either official language, have been having a harder time in more recent years finding suitable employment. This is despite the higher average levels of education for the more recent cohorts of immigrants.

So for all these reasons I do not think that we should be looking at immigration as a key means of skills development, even though I strongly support the Canadian immigration program on other grounds.

I'd like to suggest six things that I think HRDC is ideally positioned to do and which could greatly help the Canadian labour market. In this respect I would like to say I very much agree with Lars Osberg's proposition that the main thing driving employment opportunities for individuals is the health of our labour market, and of our overall economy.

So the first thing that I think HRDC could and should vigorously push for is a rollback on the EI payroll tax. It's the second largest tax in the nation. It is true that empirical economists like myself have been unable to produce reliable estimates showing that there is a negative impact of payroll taxes on employment. But these last two years I've been responsible for a university faculty volunteer project, [www.CareerOwl.ca](http://www.CareerOwl.ca). We founded a company to provide Internet services and I've been responsible for a payroll for our company. I'm exceedingly aware now of the fact that payroll taxes must be paid before a business makes its first dollar of profits; in fact, before it breaks even. So, payroll taxes are qualitatively different from other sorts of taxation in terms of their impact on start-up fledgling companies of the sort that Canada is trying to foster in the high tech area. A business that fails cannot generate employment, and this effect will be missed in econometric studies because the data we have not readily permit examination of this sort of effect -- the employment that might have been but isn't there to be observed.

A second thing that I think that HRDC could and should do is to amend Bill C-2, the legislation now in parliament that would get rid of the experience rating in the EI program. If we look at the record between Canada and the United States, both countries have large employment insurance programs going back to shortly

after the great depression. The United States program, their caseload and their expenditure amounts grew much more slowly than the Canadian one. There have been all sorts of analyses of why this is so, but certainly the fact that in Canada we've had what amounts to negative experience rating in our unemployment insurance system, so that if you lived in a part of the country where the risk of unemployment was higher, you were entitled to qualify for benefits with fewer weeks of employment and could continue to receive benefits for longer; that is, you could get more back but paid in less in premiums. Surely that negative experience rating had some role to play in the way the UI program caseload and expenditures grew in this country. And at any rate, if we look at the United States where the UI program is state-based program, all 50 states have (positive rather than negative) experience rating as part of their program -- using the program more causes the premiums paid to rise -- and it's been that way since way back. This sort of experience rating does not necessarily suppress the repeat use. The US has repeat use of UI too. I don't think anybody knows how to really repress that repeat use without cutting off some of the people that the program is supposed to help. But what the experience rating does is that it makes the repeat use less costly and we need those cost savings as badly as the Americans do. Our employers are at least as much hurt by higher taxes as the American employers are.

Then, a third thing that I think that HRDC could do is implement the proposal of one of my colleagues, Erwin Diewert, for reducing deadweight losses associated with pension programs. His proposal builds on the power of compound interest to reduce the costliness of the program but it also has something in common with the learning accounts HRDC has proposed, for which I have some considerable sympathy. These proposals would both make it so that an individual sees their tax payments as more closely related to something that they themselves benefit from, and in that way these measures should help reduce the deadweight losses that would otherwise be associated with the taxes.

A fourth thing that I would recommend is that HRDC should put a high profile end to the bad jobs/good jobs, or the smart jobs/dumb jobs, rhetoric that comes out in all sorts of publications and in other forms such as little sitcoms on the TV. That rhetoric was well intentioned. It has its origins back in the Economic Council of Canada Council. It grew from the good intentions of trying to get our young people to stay in school. All the provincial governments picked it up. But the jobs that end up with the "bad" or the "dumb" label are disproportionately the jobs available to new immigrants who are trying to make their way into the labour market, particularly the family class of immigrants. If we have people who are struggling to be self-sufficient and we call their jobs dumb jobs or bad jobs we are striking at their efforts to be self-sufficient. People have a craving need for self-respect. These are important jobs. These are the jobs of caring for our children and the infirm, these are the jobs of working as labourers on construction sites, these are the jobs of driving cabs and busses in our cities, all jobs where we need people to be capable and responsible, or there can even be loss of life. I

think that the bad jobs/good jobs, smart jobs/dumb jobs rhetoric should be ended and it takes somebody to stand up and actually do that. This has become a habit and won't end without someone saying it should. HRDC could do this.

My fifth recommendation is that HRDC and other government departments should cease the inadvertent marketing of our immigrant and native-born talent to corporate America. I wonder how many of you looked at what came with your newspaper this last week -- a booklet titled the "Top 100 INTERNET SITES FOR LEARNING AND EMPLOYMENT". It tumbled out of one of the two national newspapers that our family subscribes to. This HRDC-sponsored booklet was printed and distributed all across the country at taxpayer expense. The site listed as number 1 in this booklet is Career Experience, found on the Internet at [www.careerexperience.com](http://www.careerexperience.com). The description for that site in the HRDC-sponsored booklet begins with the glowing endorsement, "This American site has a lot to offer." It then ends with a tip -- "Before registering, be sure to read the registration information so that you know what you are getting involved in." That tip will not help most of our students and graduates understand that when they register on a site like this and not on the Canadian oriented sites as well, they are making their qualifications more easily searchable by large US corporations than by the local businesses that are paying taxes to support their education. Employers are charged hundreds of dollars for putting their job postings on the commercial, mostly US based sites and thousands of dollars to browse the job seeker information on those sites. That's a small cost for a Microsoft and many other Silicon Valley companies, but a large cost for a many of the businesses that our business school and science graduates are needed by here in Canada.

The Canadian government Public Service Commission job site -- the site where the federal government job openings are advertised -- appears much further down that list of 100 top sites. It comes, *after* monster.ca. But Monster.ca is part of monster.com, the Internet face of TMP WorldWide, and when our students and grads enter their information there, again they become very easily searchable by corporate America. A larger proportion of corporate America is online, probably because larger businesses are more likely to be online. It's not that as a *professor* I think it is bad for my students to register on Monster.ca. I recommend that my students should to that if they ask. I recommend that my students should check out and sign up on *all* the job sites with jobs of interest to them, since registration is all free for jobseekers and this is how my students can have the best options to choose from. But I think that the Canadian government should also take account of what the implications are for our employers of placing US and US affiliated e-recruiting sites in front of the Canadian ones. It creates the impression that these are *better sites* for Canadian jobseekers to use, and may result in them failing to register as well with the Canadian oriented sites.

One of the things that HRDC-sponsored booklet doesn't say a word about are the costs to employers. It tells readers that all the sites listed there are free for the jobseekers, and indeed they are. But what the booklet fails to say is that, in

the case of the commercial e-recruiting sites, many are charging hundreds for postings, and thousands for a search of candidate records. There are lower cost and free alternatives for employers, including the Canadian government sites. HRDC has a really good ELE site at [www.ele-spe.org](http://www.ele-spe.org). There's Campus Worklink at [www.CampusWorklink.com](http://www.CampusWorklink.com) which was built by Industry Canada. There's the Public Service Commission site at [jobs.gc.ca/home\\_e.htm](http://jobs.gc.ca/home_e.htm). There are numerous Internet employment information and e-recruiting sites that are part of the university careers offices, and of industry and trade associations. And there's the [www.CareerOwl.ca](http://www.CareerOwl.ca) site that was founded by Canadian university faculty members. These sites are all listed in the HRDC-sponsored booklet, but they are mostly way down, coming after a number of American and American affiliated sites such as Monster.ca. I think that's wrong. I think that the American (or foreign) and the American (or foreign) affiliate sites should be grouped and labeled as such. Think about the case of products sold in stores. Those from other countries are commonly labeled as such. And yet, an apple or a shirt may not differ in any important way depending on national origin. In contrast, it is an important difference from some national interest perspectives if those trained at our publicly subsidized educational institutions are mostly signing up on e-recruiting services through which their qualifications and contact information become most readily available to American and other foreign recruiters. It seems inappropriate for HRDC to use Canadian tax dollars to preferentially help US based recruiting companies sign up the talent they are searching for this side of the border. I also feel that the fees that our employers are charged for using the different services should be visibly included in the next version of the TOP 100 INTERNET SITES FOR LEARNING AND EMPLOYMENT that HRDC sponsors. It is an important detail, for example, that *unlimited* Canadian job postings for a year on [www.CareerOwl.ca](http://www.CareerOwl.ca) cost the same amount (\$500) that a *single* job posting costs on a number of the commercial e-recruiting sites listed in this year's booklet. And small employers especially might benefit from learning that they can place a single posting on the site that Canadian faculty members founded for just \$25, an amount that almost any business could spend out of petty cash. The money that Canadian companies save on recruiting is money they can use for other important things like training and development for their employees.

My sixth and final recommendation is that HRDC should try and regain the leadership position they had in the 1990s for developing good labour market information, for the analysis of this information, for open debate and for the things that they once did that revolutionized labour market economics on our campuses. If I think back to the beginning of the 1990s, I can remember going to a conference where there were US labour economists and Canadian labour economists and where the US labour economists knew vastly more about the programs in their country than the Canadian labour economists did, and that situation was obviously carrying over into the classroom. But since then, HRDC did a number of things that helped to get our students using Canadian data, and completing theses done with Canadian data and that helped to make faculty members aware of Canadian data and our programs. HRDC needs to go back to

doing some of those things and HRDC needs to rehire some of the people that they once had who were extremely effective in their campus outreach and in motivating and teaching academic and other outside researchers in Canada about using Canadian labour market data.

So in summary, I think that HRDC needs to do things to help the general economy like rolling back the EI tax and keeping some form of experience rating in the EI program. I think that HRDC needs to explore other ways of delivering programs like the CPP/QPP pension programs. I think that Diewert's proposal that builds on the power of compound interest merits serious attention. I think HRDC needs to get rid of the bad jobs/dumb jobs sort of rhetoric. I think HRDC needs to re-examine what they're putting out in terms of information about e-recruiting and labour market information services. The services recommended should be considered from the perspective of how best to help Canadian workers have jobs and employers find the talent they need, including both the talent of the native born and also the talent of immigrants. New immigrants to this country mostly settle initially in Toronto, Vancouver and Montreal while the employers who need their skills may be elsewhere. And I think that HRDC should try to regain the leadership that they demonstrated earlier in this decade in developing and encouraging the use and free dissemination of finding from Canadian labour market data; that was tremendously important to all of us.

I appreciate being here today, and the remarks that I have made grow out of years of working with and a deep respect and admiration for people at HRDC. Thank you.

Moderator:                Okay, thank you very much Alice