

Immigrant Transitions from Underemployment to Skills-commensurate Employment

1. Background

Since 2009, the Toronto Immigrant Employment Data Initiative (TIEDI) has sought to meet the data needs of non-profit organizations whose goals include the better integration of immigrants into Greater Toronto's workforce. The project has produced a range of reports, factsheets and updates; all are available on the project's website: www.yorku.ca/tiedi.

With further support from the Social Sciences and Humanities Research Council of Canada (SSHRC), TIEDI initiated a public outreach program from October 2011 to April 2012 (<http://www.yorku.ca/tiedi/events.html>). The outreach program sought to engage key stakeholders in discussing the project's findings. The purpose was to explore the implications of data generated by TIEDI for program planning and policy-making. Topics were identified at a forum in October 2011, and then in January-April 2012, four roundtable discussions were held with leaders and frontline workers from settlement agencies, advocacy groups, labour and employer organizations and all levels of government.

This report is one of a series providing highlights from the discussions at these roundtables. It contains the primer material that was sent to roundtable participants, as well as key points that arose during discussions. Reports from other roundtables are available at: <http://www.yorku.ca/tiedi/roundtable2012.html>

2. The Issue

The purpose of this roundtable discussion was to examine the barriers and challenges facing underemployed immigrants in transitioning into employment commensurate with their skills and education. We explored both the barriers and the potential policy and practice solutions from the perspectives of service providers, program funders, policy makers, employers, and newcomers themselves.

Underemployment differs from unemployment in that a person is working, but lacks an adequate "person-job" fit. These situations include:

- underpaid or lower job status compared to workers with similar skills and education;
- not receiving adequate hours at work or full-time status;
- working outside one's field of formal education and training;
- having greater skills and/or work experience than required for a given job; and
- individual perception that a job is generally lacking or unfulfilling.¹

¹ See McKee-Ryan, F.M. and J. Harvey. 2011. "I have a job but..." A Review of Underemployment. *Journal of Management* 37(4): 962-996.

Underemployment is usually tied to one's career history, job search strategies, employee characteristics, and personal work preferences. It also has antecedents in economic factors (such as recessions), job type, and demographic characteristics of the job seeker (e.g. race, gender, age, and/or education).

Why does it matter?

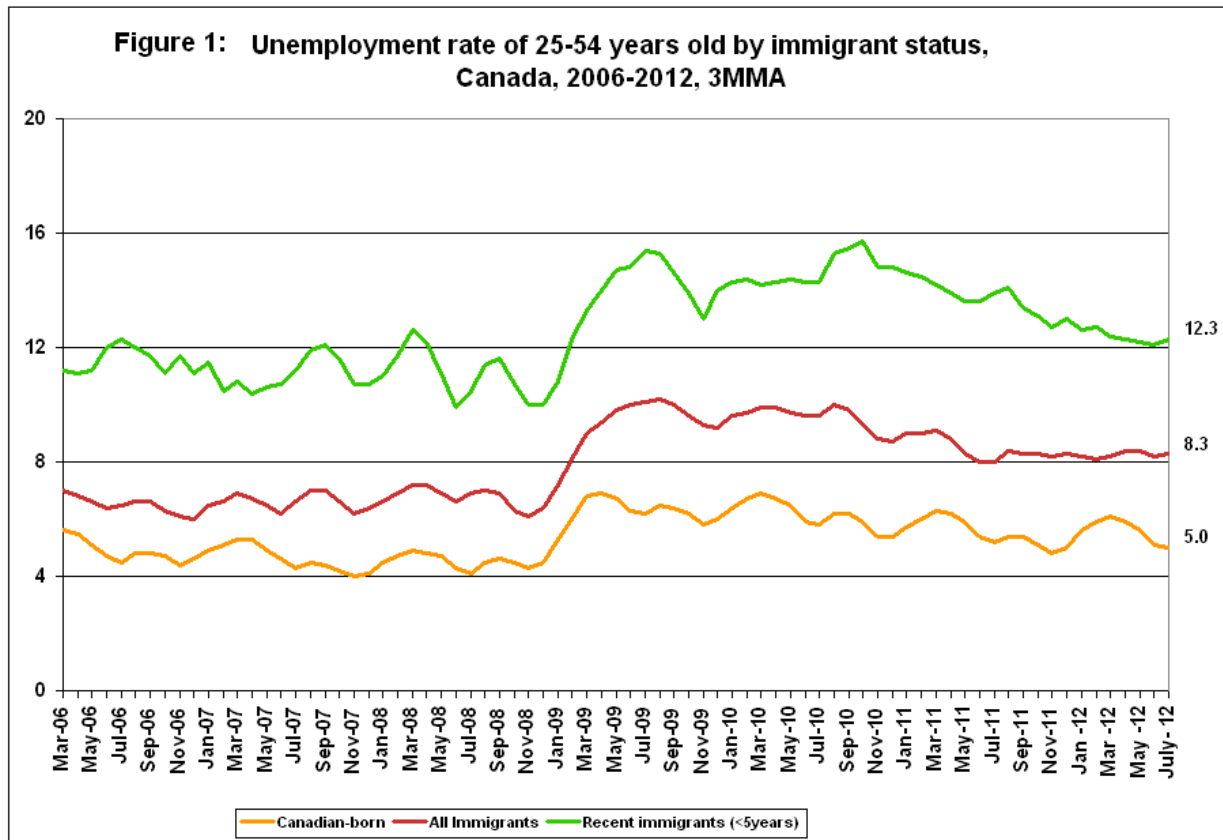
Underemployment is a major concern for the Canadian-born, but it is a much more complex issue for immigrants due to systemic issues of skill/credential transferability and recognition. For immigrants, one of the most common forms of underemployment is their employment in jobs that fail to match their skill levels; that is, work that routinely requires less education, skill, training and experience than the employee has acquired outside Canada. The result is often significant wage gaps by level of education as underemployed skilled immigrant workers earn less than comparably educated and skilled Canadian-born workers in higher paying, skills commensurate jobs. This is not just a loss for immigrant workers; their underemployment represents a skills mismatch that is detrimental for Canadian employers and the economy as a whole. One estimate placed the economic loss due to skill-mismatch among immigrants at some \$2.4 billion in 2000, a significant newcomer brain waste.²

The direct impact on immigrants is particularly significant for highly skilled/educated immigrant workers, particularly if this immigrant underemployment is in full-time but low-skilled, mismatched work. This "survival employment" can have serious negative effects on access to bridging programs and skills/education upgrading and over time erode the human capital of skilled newcomers. While immigrant work prospects do tend to improve over time even after four years after arrival, among the skilled immigrant class, only about 70% were able to find work in their broad areas of training. However, many of these jobs underutilized immigrant skills. For other classes of immigrants the skills-job matching was considerably poorer.³

Those newcomers that migrate to Canada during a recession face additional challenges.

² Reitz, Jeffery G. 2001. "Immigrant Skill Utilization in the Canadian Labour Market: Implications Human Capital Research," *Journal of International Migration and Integration*, Vol. 2, No. 3, Summer, p. 347.

³ John Shields, Mai Phan, Fang Yang, Philip Kelly, Maryse Lemoine, Lucia Lo, Valerie Preston, Steven Tufts. Do Immigrant Class and Gender Affect Labour Market Outcomes for Immigrants? TIEDI Report 2: January 2010.



Data Source: Statistics Canada, 2012. Labour Force Survey

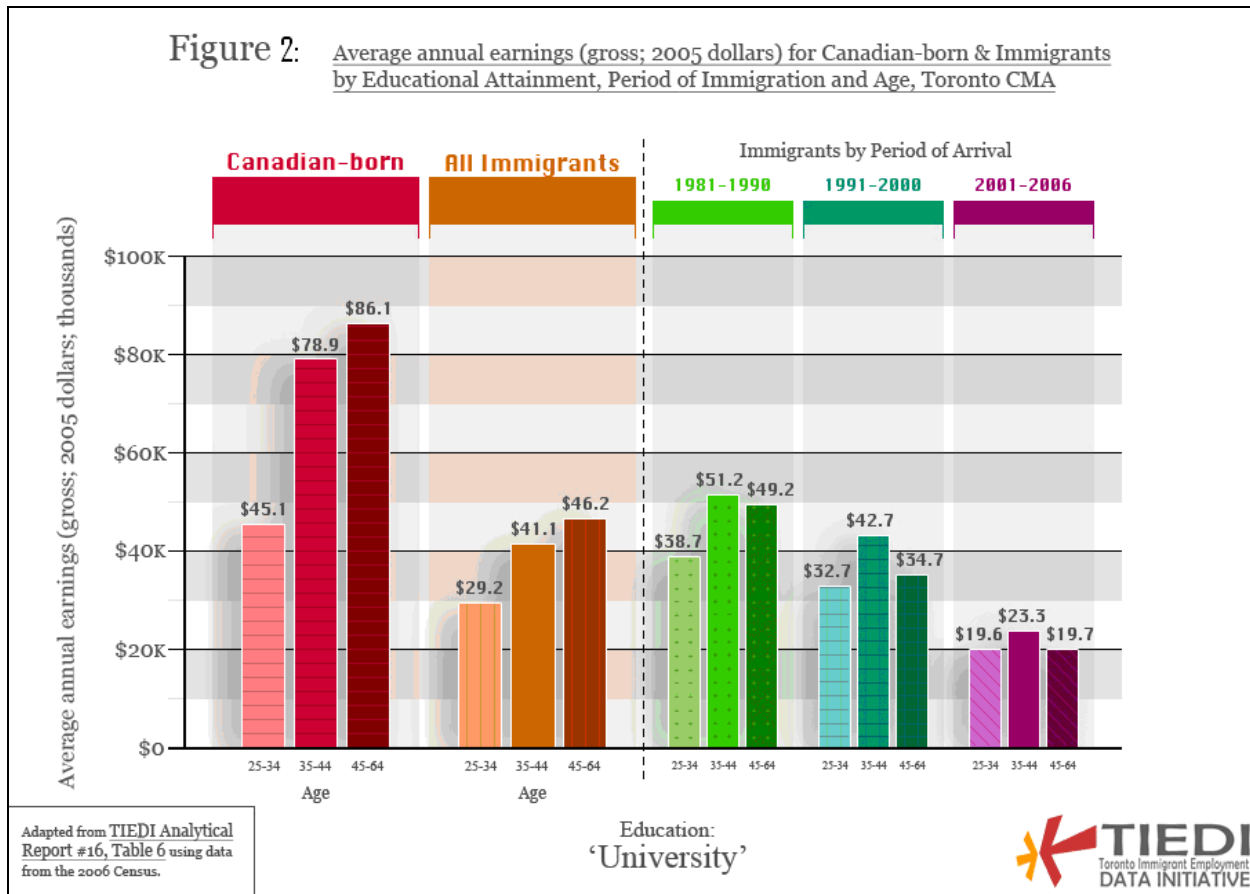
As Figure 1 shows, more recent immigrants (those who arrived in less than 5 years) bore the brunt of the recession that began in 2008 with more elevated unemployment levels compared to the Canadian-born and established immigrants. As well, the gap between immigrant unemployment levels, and those of Canadian born, had widened during the recession and jobs that did become available were more weighted toward part-time employment even in the recovery period.⁴ The long period of unemployment and underemployment can have a lasting scarring effect on newcomers working to shut many of them out of good jobs in skills commensurate employment. When this is combined with the reality of the negative employment effects of workplace racism regarding access to skilled professions and skills-matched, full-time work and the fact that some 70% of newcomers are racialized, the problem of immigrant skill-mismatch becomes more pronounced.⁵

⁴ TIEDI Analytical Report # 22, July, 2011.

⁵ See Liu, E. November 2007. A Descriptive Study of Employers' Attitudes and Practices in Hiring Newcomer Job Seekers. *CERIS Policy Matters* 31; Reitz, J.G. 2005. Tapping Immigrants' Skills: New Directions for Canadian Immigration Policy in the Knowledge Economy. *Choices* 11(1): 1-18.

Underemployment can have severe psychological and social consequences for the affected individual; it can negatively affect reemployment possibilities and long term labour market outcomes, and can have negative impacts on one’s social determinants of health.⁶

Given that employment and earnings gaps are growing substantially between immigrants and the Canadian-born⁷ (Figure 2 and Figure 3), and the 2008 recession seems to have had negative effects on immigrant employment generally⁸, more detailed studies of the dimensions of immigrant underemployment are needed.

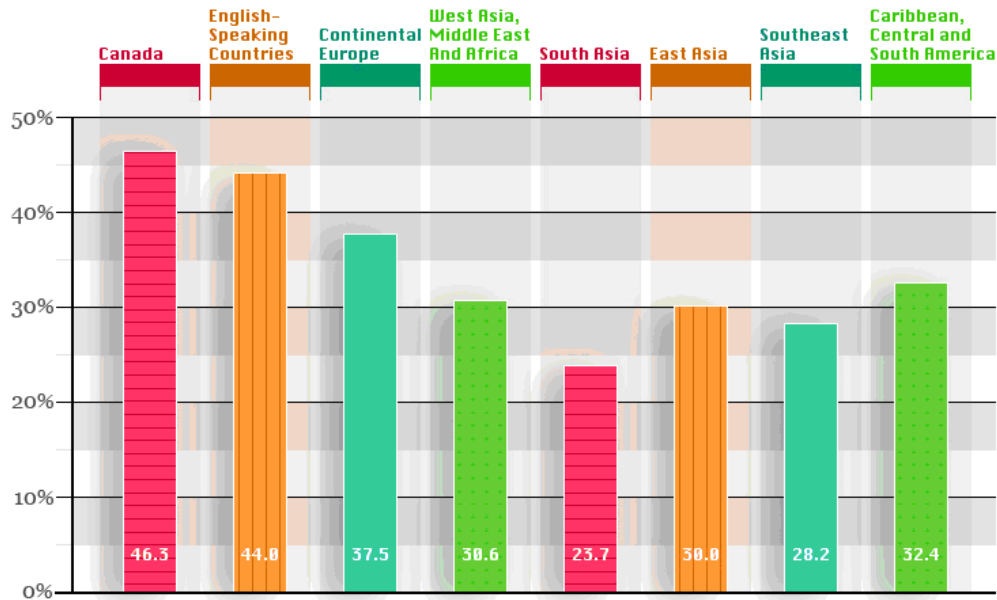


⁶ See Friedland, D.S. and R.H. Price. 2003. Underemployment: Consequences for the health and well-being of workers. *American Journal of Community Psychology* 32: 33-45.

⁷ See TIEDI Report 22, <http://www.yorku.ca/tiedi/doc/AnalyticalReport22.pdf>

⁸ Galarneau, D. and R. Morissette. 2008. Immigrants’ education and required job skills. *Perspectives*. Retrieved on January 20, 2012 from : <http://www.statcan.gc.ca/pub/75-001-x/2008112/pdf/10766-eng.pdf>

Figure 3: Percent population in relevant employment by place of study of highest education, 2006, Canada



Adapted from TIEDI Analytical Report #14, Table 4 using data from the 2006 Census.

Data Limitations

Measurement of underemployment tends to be complex (given the subjective and objective dimensions of the category). Statistics Canada’s most complex measure of underemployment is the “R8” category in the Labour Force Survey (LFS), which combines other measures of unemployment to include those who are in “involuntary part-time employment”, which is specifically a measure of “visible” (or hours) underemployment. This measure does not include what it considers to be “invisible underemployment” - skills not being fully used or when a job is considered substandard because of wages and/or other unfavourable job characteristics.⁹ The LFS unfortunately, does not disaggregate immigrants from its R8 results, making immigrant underemployment difficult to study over the short term. Keeping in mind that the R8 does not include “invisible underemployment”, this is a significant limitation with regards to immigrants in the Canadian labour force.¹⁰

⁹ See Gilmore, J. and S. Larochelle-Coté. 2011. Inside the labour market downturn. *Statistics Canada – Perspectives*. Retrieved from Statistics Canada website on January 10, 2012 from:

<http://www.statcan.gc.ca/pub/75-001-x/2011001/article/11410-eng.htm#b2>

¹⁰ The 2006 Census also added the question of ‘country of highest education received’ so researchers can now test out whether ‘place of where they received their highest education’ matters or not- studies show that they do matter- for instance, those with foreign credentials are less likely to be working in their field of study and tend to earn less compared to those with Canadian credentials. See e.g. TIEDI report 14, <http://www.yorku.ca/tiedi/doc/AnalyticalReport14.pdf>

Various data sources from Statistics Canada exist that measure the job satisfaction of immigrants¹¹ – the Longitudinal Survey of Immigrants to Canada (“LSIC” – a longitudinal survey focusing on the first four years of employment and settlement service use of immigrants) and the Workplace and Employee Survey (“WES” – a survey designed to explore a broad range of issues relating employers and employees).

Policy Challenges

As the Canadian immigration points system has shifted to demand higher educational/skill requirements from immigrants, the risk that overqualified (especially recent) immigrants will experience underemployment has increased. Many recent immigrants are hired outside of their field of study, and with changes in recruitment/hiring, problems with credential recognition, an anemic labour market, weakening settlement services, and workplace racism, this can lead to long-term negative effects on pay, job satisfaction, and career prospects. At the same time, there is evidence of skills shortages in several industries which may be addressed by locating underemployed immigrant workers in the same sector or, in some cases, the firm itself.

3. Discussion Questions

For the purposes of this roundtable, we focused on the question of those who are underemployed in situations where there is the potential for appropriate employment often with the same employer.

1. What data would help us to better understand the dimensions of underemployment within a given sector or workplace?
2. What are the challenges of moving from skills mismatch to skills commensurate employment from the perspective of skilled immigrants, employers, service providers, and government/policy makers?
3. What program and policy initiatives would support immigrants moving into appropriate levels of employment? What would work from the perspective of skilled immigrants, employers, service providers and program funders?

¹¹ For a TIEDI study on immigrant job satisfaction see: TIEDI Report 12, <http://www.yorku.ca/tiedi/pubreports12.html>

Key Discussion Points

Many of the issues that surfaced in TIEDI's underemployment roundtable discussions have been covered at length in other reports. As such, this summary will focus on new issues (as well as expansions on previously identified but lightly covered issues) and on core concerns arising from this specific discussion.

Additional Data Needs

There is a lack of systematic collection of data that is able to link credential recognition of newcomers with skills commensurate employment, and further research that can draw out associations between employment and variables like newcomer's ethno-racial background, gender and fields of skill and/or professional specialization. In order to understand patterns of employment blockage and potential discriminatory barriers, it is critical to have reliable data providing good evidence. It is important to note that the complexity of skills-mismatching differs by province, particularly with the growth of provincial nominee programs, and we need to be able to track these differences geographically. Moreover, most available data does not yet allow us to study the broader *effects* of underemployment. For example, there needs to be more information on what the loss of status and lack of education/skills recognition means for immigrants in terms of mental health and future job success over the longer term.

Challenges to Matching Skills

One of the key challenges that was identified was matching skills levels to available positions in the same company. Skilled immigrants are often offered work for which they are overqualified, which they accept due to the imperative to get a foot into the labor market, to gain 'Canadian work experience' and build professional networks (e.g. foreign-trained engineer accepting work as a drafter). Moving out of these positions for which they are overqualified becomes a challenge.

The tools necessary for employers, especially smaller businesses, to be able to assess the full range of skills newcomers bring is often absent. This raises the question of where the onus lies to bridge any gap in assessing or upgrading skills - employer, government, community or educational bodies? For instance, it is in the interest of employers to assist newcomers to upgrade their skills especially when these employers face increasing skill shortages at higher level jobs in the same company. By assisting newcomers in upgrading their skills within the same company, employers can save on recruitment costs as the person already understands the organizational culture and work on the ground. Organizations such as TRIEC assist in facilitating this process.

Another important challenge identified was that of employer "skills hoarding." Skills hoarding results when employers have no incentive to move overqualified/underemployed workers into more skill appropriate jobs. Employers benefits from workers' higher skill levels and would incur costs (e.g. recruiting, training) to replace them when employees leave for more skills commensurate positions. While this practice may give flexibility to the employer it creates

underemployment conditions for workers, especially for newcomers who have fewer networks for finding better jobs. Skills hoarding by employers should be discouraged as it creates an underutilization of scarce skills and reduces productivity in the overall economy.

5. Key Recommendations

1. Employer education and immigrant language training stand out as crucial to skills recognition. Providing incentives to employers to encourage them to provide training programs that would allow skilled immigrants within their organizations to move into skills commensurate roles was discussed. This can be particularly challenging in sectors where training during work hours may not be practical (e.g. nurses). Various supports and incentive structures for workers and employers were raised as ways to promote training and educational programming including government grants, employment insurance rebates, and “community centered” incentives and programming to address these gaps.

2. This issue of “skills hoarding” referred to above requires further study to understand its dynamics and to explore possible solutions. The issue needs to be addressed both from the perspective of opportunities for skilled immigrants to move into skill commensurate positions within the organizations where they are already employed, as well as strategies for encouraging and incentivizing movement of underemployed workers into appropriate roles with other employers.

3. Creating more flexible options for participating in employment-oriented settlement programs would also improve access for skilled immigrants who are working but underemployed and therefore face significant constraints in terms of time and money available for training.

4. Pre-arrival employment matching could also be improved through the use of more robust virtual matching services, and these virtual programs also need to be expanded more into post-arrival immigrant populations by employment sector.

5. Overall, shifts in the economy have created a labour market that is more reliant on contract based jobs which often under-employ workers, especially newcomers. Workers in these circumstances are often vulnerable to violations of employment standards regulations and other forms of discrimination. Stricter enforcement of existing employment standard rules and enhancement in the scope of employee protections, especially with respect to discrimination, would be an important step in helping to protect vulnerable newcomers in the labour market.

6. Additional supports directed to immigrant workers and their families can also work to improve the underemployment situation. Oftentimes newcomers are pushed into survival jobs in which they become trapped because of pressing financial obligations. This problem could be eased with greater access to such things as training allowances, paid internships, increased access to affordable child care, greater levels of settlement support, and the like. Such social and financial supports are often critical for newcomers to build and showcase the skills they have to appropriate employers before so many of them become trapped in the kind of jobs that build structures of underemployment that are often difficult to escape.