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Canada's Immigration Policies and High-Skilled Labour Shortages: Lessons for Developing Countries

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ABSTRACT: Canada has increasingly relied on high-skilled immigration as a policy instrument to expand labour supply, respond to demographic change, and address persistent labour-market shortages. However, attracting and selecting highly skilled immigrants does not necessarily ensure that their human capital is effectively utilized in shortage occupations. This study examines the effectiveness of Canada's high-skilled immigration policy in addressing labour shortages and identifies policy lessons for developing countries. Using a qualitative policy-analysis approach based on secondary data, the study synthesizes evidence from Canadian government documents, Immigration, Refugees and Citizenship Canada, Statistics Canada, OECD research, and peer-reviewed academic literature. The analysis is guided by human capital theory and an analytical framework linking immigration selection, labour-market integration, skills matching and utilization, and labour-market outcomes. The findings indicate that Canada has been relatively successful in expanding labour supply and attracting immigrants with strong human-capital characteristics. Economic immigration programs, Express Entry, the Comprehensive Ranking System, category-based selection, and the Provincial Nominee Program provide increasingly differentiated mechanisms for selecting workers according to general human-capital characteristics, occupational skills, and regional labour-market needs. However, the evidence also indicates persistent challenges in converting immigrant human capital into effective occupational supply. Foreign credential recognition, professional licensing, language proficiency, limited Canadian work experience, employer practices, discrimination, and regional mismatch can prevent highly qualified immigrants from working in occupations corresponding to their skills. Consequently, Canada appears more successful at attraction and selection than at complete skill utilization and occupational matching. Recent policy developments, including category-based selection and greater emphasis on regional and in-Canada talent retention, demonstrate a shift from broad volume-based immigration toward more targeted labour-market strategies. Nevertheless, targeted selection alone cannot guarantee successful matching. The study argues that high-skilled immigration should therefore be understood as one component of a broader labour-market strategy requiring coordination among immigration, employment, education, credential recognition, professional regulation, and regional development policies. For developing countries, the key lesson is not to replicate Canada's system directly, but to build institutional capacity that connects talent attraction with effective integration, utilization, and retention.

KEYWORDS: Canada policy; high-skilled immigration; human capital; labour-market integration; labour shortages

I. INTRODUCTION

Immigration has become a central component of Canada's demographic and economic strategy. As the country faces population ageing, a declining share of the population in the working-age group, and persistent labour-market pressures, immigration has increasingly been used to supplement the domestic supply of workers and support long-term economic growth. Statistics Canada estimates that immigrant workers accounted for 84% of the growth in Canada's total labour force during the 2010s and 55% of the growth in high- and medium-skilled employment during the same period (Statistics Canada, 2022). These figures demonstrate that immigration is not simply a demographic policy in Canada but also an important source of labour supply. Consequently, the ability to attract workers with skills and qualifications that correspond to the needs of the Canadian economy has become a major objective of immigration policy. Canada has consequently developed a relatively sophisticated economic immigration system designed to select immigrants according to their potential economic contribution. Programs such as the Federal Skilled Worker Program, Federal Skilled Trades Program, Canadian Experience Class, and Provincial Nominee

Program provide different pathways for skilled workers to obtain permanent residence. The introduction of Express Entry in 2015 further strengthened this approach by creating an application management system for several economic immigration programs and using the Comprehensive Ranking System to assess candidates according to factors associated with economic success, including education, language proficiency, work experience, age, and other characteristics (IRCC, 2020). The early outcomes of Express Entry were relatively positive. IRCC (2020) found that 95% of Express Entry principal applicants had become economically established, while 83% of those who were employed reported working in their primary occupation. Express Entry applicants also earned approximately 20% more than comparable non-Express Entry applicants one year after admission. These findings indicate that Canada has developed an immigration selection mechanism that can successfully attract individuals with relatively strong human-capital characteristics and facilitate their initial economic integration.

The importance of economic immigration has become even more explicit in Canada's recent immigration policy. The 2025 Annual Report to Parliament on Immigration states that immigration remains essential to meeting Canada's long-term labour-market and demographic needs while emphasizing the need to align immigration levels with the capacity of communities and public infrastructure (IRCC, 2025). The report also shows the substantial scale of economic immigration. In 2024, Canada admitted 281,615 permanent residents under economic immigration categories, representing the largest broad immigration category, including 92,735 admissions under Federal Economic–High Skilled programs and 114,905 through the Provincial Nominee Program (IRCC, 2025). At the same time, the 2026–2028 Immigration Levels Plan represents an important adjustment in policy direction. Rather than simply expanding immigration levels, the government emphasizes a more targeted and sustainable approach that prioritizes immigrants who can address specific labour-market needs and strengthen key sectors of the economy. Economic immigrants are expected to account for 63% of permanent resident admissions in 2026 and 64% in both 2027 and 2028, which the government describes as the highest proportion in decades (IRCC, 2025). This recent policy shift is particularly relevant to the question of high-skilled labour shortages. The 2026–2028 Immigration Levels Plan explicitly states that Canada is focusing on attracting global talent with the skills and experience required to support economic growth and address labour-market shortages. Particular priority is given to highly skilled workers in emerging technologies, health care, and skilled trades, while the Provincial Nominee Program is used to respond to labour-market needs that vary across provinces and territories (IRCC, 2025). The plan also seeks to retain talent already present in Canada. In 2026 and 2027, the government intends to accelerate the transition of approximately 33,000 skilled temporary workers into permanent residence, particularly workers already employed in Canada in specific in-demand sectors and rural areas (IRCC, 2025). This development is significant because it illustrates a broader evolution in Canadian immigration policy that the objective is no longer simply to increase the number of immigrants entering the country, but increasingly to select, attract, retain and integrate workers whose skills correspond to identified economic needs.

Nevertheless, the contribution of immigration to resolving high-skilled labour shortages cannot be assessed solely by the number of skilled immigrants admitted or by the human-capital characteristics they possess at the time of selection. A central challenge is whether immigrants are actually able to use their education, professional qualifications, and previous work experience in occupations that correspond to their skills. This distinction is particularly important because Canada has experienced persistent skill and occupational mismatch among immigrants. Earlier research found that university-educated recent immigrants were increasingly concentrated in occupations requiring less than a university education. Hou et al. (2019), for example, found that only approximately half of the growth in the number of university-educated workers between 2001 and 2016 was matched by growth in jobs requiring a university education. As a result, university-educated recent immigrants experienced increasing concentration in lower-skilled occupations. Similarly, Reitz (2001) identified immigrant skill underutilization as an important source of immigrants' economic disadvantage and argued that the Canadian economy could experience significant productivity losses when the skills of immigrants are not effectively utilized. More recent evidence indicates that this issue has not disappeared. Statistics Canada's latest evidence shows that job mismatch remains more prevalent among immigrants than among Canadian-born workers. In September 2024 and September 2025, 32.6% of core-aged recent immigrants with postsecondary qualifications reported being overqualified for their jobs, compared with 19.1% of Canadian-born workers. Recent immigrants were also more likely to work in occupations unrelated to their field of study (20.8%) than Canadian-born workers with postsecondary credentials (15.6%) (Lovei, 2026). Foreign credentials appear to be particularly important in explaining this disparity. Statistics Canada research has found that recent immigrants with foreign degrees experience substantially higher rates of education–occupation mismatch than those with Canadian degrees (Statistics Canada, 2024). These findings suggest that the problem facing Canada is not necessarily a lack of highly educated immigrants, but rather the difficulty of converting immigrants' existing human capital into employment that fully reflects their qualifications.

The persistence of this mismatch raises an important question about the effectiveness of immigration policy in addressing high-skilled labour shortages. If immigration policy successfully selects individuals with high levels of education, professional

experience, and other desirable human-capital characteristics, but a significant proportion of these individuals subsequently work in occupations below their qualification levels, the potential contribution of immigration to addressing skilled labour shortages may not be fully realized. In other words, attracting high-skilled immigrants and effectively utilizing high-skilled immigrants are two related but distinct policy outcomes. Immigration selection determines who enters the country, whereas labour-market institutions, credential-recognition systems, language requirements, professional licensing, employer practices, Canadian work experience requirements, and access to professional networks influence whether immigrants can translate their qualifications into productive employment.

This distinction is especially important because Canada's recent immigration policy is moving toward more targeted selection. The government states that the 2026–2028 plan will prioritize specific labour shortages and key economic sectors while also reducing the number of new temporary residents. The plan sets a target of 230,000 new temporary worker arrivals in 2026, 37% fewer than the previous year's target, while maintaining 380,000 new permanent resident admissions. At the same time, the government aims to reduce the temporary population to less than 5% of Canada's total population and stabilize permanent resident admissions at less than 1% of the population (IRCC, 2025). This represents a significant policy balancing act as Canada seeks to maintain access to global talent and address labour shortages while controlling immigration levels and ensuring that housing, infrastructure, public services, and communities have sufficient capacity to integrate newcomers. The effectiveness of such a policy therefore depends not only on how many skilled immigrants Canada attracts but also on how efficiently those workers can be matched with the occupations and regions where their skills are most needed.

Against this background, this study examines Canada's immigration policies and their effectiveness in addressing high-skilled labour shortages, with the broader objective of identifying lessons that may be relevant to developing countries. The study focuses on the relationship between immigration selection and labour-market outcomes rather than treating immigration itself as an automatic solution to labour shortages. Firstly, it examines how Canada's economic immigration system, particularly Federal High-Skilled programs, Express Entry, and the Provincial Nominee Program, is designed to attract workers with skills considered valuable to the Canadian economy. Secondly, it evaluates the extent to which these policies contribute to meeting high-skilled labour-market needs. Thirdly, it investigates the barriers that may prevent highly skilled immigrants from being fully integrated into occupations corresponding to their qualifications. Finally, it considers what developing countries can learn from Canada's experience when designing policies to attract skilled workers while ensuring that their human capital is effectively utilized. The study adopts a qualitative policy-analysis methodology based primarily on secondary data and existing research. It draws on Canadian government policy documents, Immigration, Refugees and Citizenship Canada reports, Statistics Canada data, OECD research, and peer-reviewed academic literature. Particular attention is given to the 2026–2028 Immigration Levels Plan and the 2025 Annual Report to Parliament on Immigration because these documents provide the most recent evidence of Canada's current policy priorities. The study also uses empirical research on immigrant labour-market outcomes to evaluate whether policy objectives are reflected in actual employment outcomes. Comparative analysis is subsequently used to identify policy lessons that may be applicable to developing countries. The study does not seek to establish a causal relationship between individual immigration programs and labour shortages, it instead synthesizes policy and empirical evidence to assess the strengths and limitations of Canada's overall approach. The study is divide into 5 main part inluding (1) Introduction; (2) Literature review and analytical framework; (3) Canada's high-skilled immigration policy; (4) Canada's high-skilled immigration policy; (5) Barriers to effective labour-market integration of high-skilled immigrants; (6) Discussions of findings; and (7) Recommendations and conclusion.

II. LITERATURE REVIEW AND ANALYTICAL FRAMEWORK

High-skilled Immigration and Labour-Market Needs

High-skilled immigration has become an important policy instrument for countries experiencing demographic change and shortages of workers with specialized skills. Highly skilled immigrants can increase the supply of human capital through their education, professional experience, and occupation-specific knowledge. The OECD (2024) argues that migration can help countries respond to labour shortages, particularly when demographic change reduces the size of the working-age population. However, the contribution of immigration depends on whether migrants' skills can be effectively matched with the requirements of the destination labour market. Immigration should therefore not be viewed simply as an increase in the number of workers, but as a potential mechanism for improving the match between labour supply and labour demand (OECD, 2024).

The relationship between immigration and labour shortages is consequently more complex than simply increasing the number of immigrants. Labour shortages occur when employers have difficulty filling positions because there is an insufficient supply of suitably qualified workers. Such shortages can vary across occupations, sectors, and regions. In Canada, immigration

has made a substantial contribution to labour supply. Statistics Canada (2022) reported that immigrants accounted for 84% of the growth in Canada's total labour force during the 2010s and 55% of the growth in high- and medium-skilled employment. These figures demonstrate the potential of immigration to strengthen labour supply, but they do not necessarily mean that immigrants are filling the specific occupations experiencing shortages. A key issue is therefore skills matching and utilization. Highly educated immigrants may not necessarily obtain employment corresponding to their qualifications or previous experience. Reitz (2001) found significant evidence of immigrant skill underutilization in the Canadian labour market, demonstrating that the human capital brought by immigrants is not always fully reflected in their occupational outcomes. More broadly, the OECD (2024) emphasizes that the ability of migration to alleviate labour shortages depends partly on policies that facilitate the matching of migrants' skills with labour-market demand. Thus, the effectiveness of high-skilled immigration should be assessed not only by a country's ability to attract and select qualified workers, but also by whether those workers can use their skills in occupations where they are needed. This distinction provides an important foundation for analysing Canada's immigration policies. Canada has developed mechanisms to select economic immigrants according to their human-capital characteristics and, increasingly, according to identified labour-market needs. Nevertheless, persistent skill underutilization suggests that attracting high-skilled immigrants and effectively utilizing their skills are not necessarily the same policy outcome. Therefore, the analysis of Canada's immigration policies should consider both the capacity to increase the supply of high-skilled workers and the institutional and labour-market conditions that determine whether their skills can be effectively matched with economic demand.

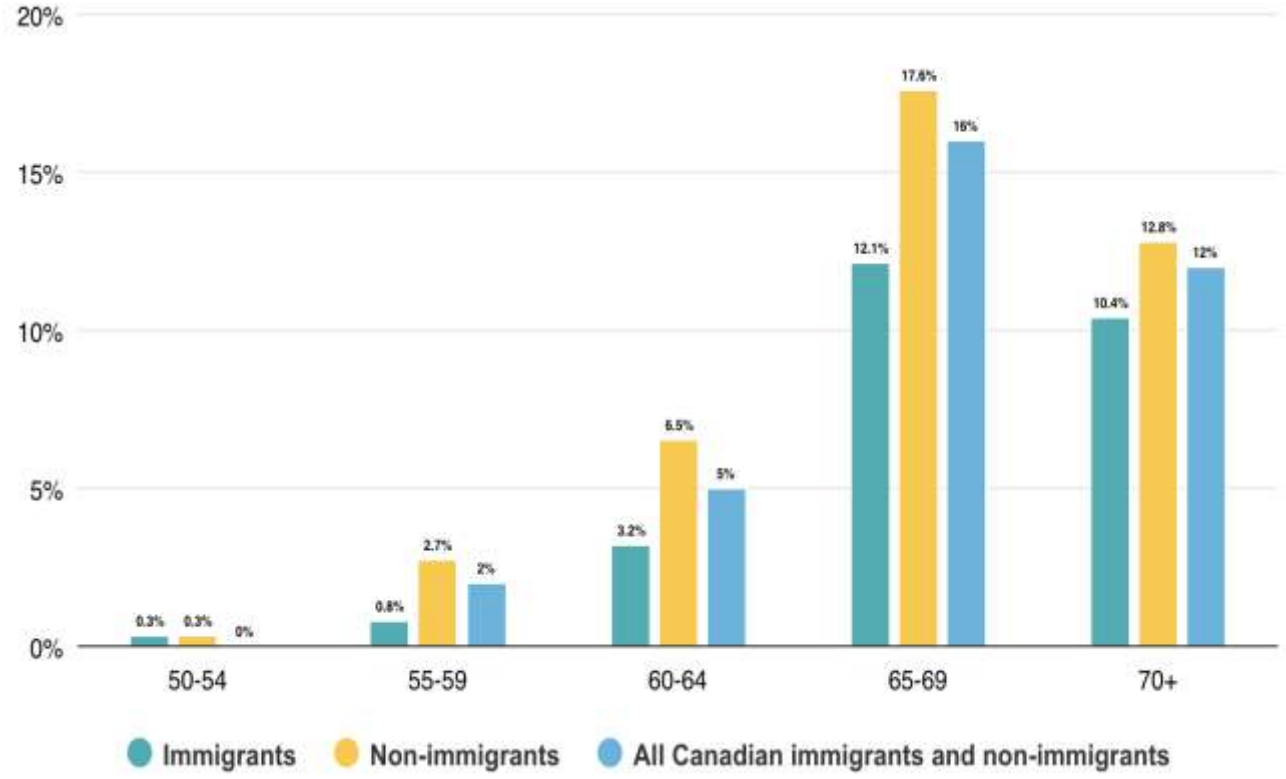


Figure 1. Retirement Rate by Age in Canada

Source: Statistics Canada & RBC Economics, 2026

Human Capital and Immigrant Labour-Market Integration

Human capital theory by Becker (1964) provides an important basis for understanding the labour-market integration of immigrants. Education, work experience, professional knowledge, and language proficiency constitute forms of human capital that can increase an individual's productivity and employment opportunities. For immigrants, however, the economic value of human capital acquired before migration may not be fully transferable to the destination labour market. Reitz (2001) found significant evidence of immigrant skill underutilization in Canada, suggesting that immigrants' education and previous work experience do not always generate returns comparable to those received by Canadian-born workers. Therefore, possessing high levels of human capital before migration does not necessarily guarantee employment in an occupation corresponding to an immigrant's qualifications. The transferability of human capital depends partly on the institutional and labour-market conditions of the receiving country. Foreign educational credentials may require assessment or recognition, while regulated occupations

may require additional licensing or certification. Employers may also place greater value on Canadian work experience or familiarity with the Canadian labour market. Recent evidence from Statistics Canada shows that these issues remain relevant. In 2024, only 53.0% of recent working-age immigrants with postsecondary qualifications obtained outside Canada had ever held a paid job in Canada that was entirely or partially related to their highest foreign qualification. Among those who attempted to obtain a licence for a regulated occupation, the process of recognizing foreign qualifications and experience remained an important challenge (Statistics Canada, 2025).

Language proficiency is another important component of immigrant human capital. Xu & Hou (2023), using standardized language-test results for economic immigrants admitted through Canada's Express Entry system, found that English or French proficiency had a positive relationship with immigrants' earnings. The study found that tested language skills were as important as pre-immigration Canadian work experience and more important than educational attainment and age at immigration in predicting initial earnings. This suggests that formal education alone is insufficient for successful labour-market integration; immigrants also need language skills that allow them to transfer their knowledge and professional capabilities into the Canadian workplace. The outcome of these barriers can be observed through education–occupation mismatch and overqualification. Schimmele & Hou (2024) found that although education–occupation matching among recent immigrants with a bachelor's degree or higher improved between 2016 and 2021, substantial differences remained. In 2021, the overeducation rate among recent immigrants was 26.7%, compared with a much lower rate among younger Canadian-born workers. The authors also found that recent immigrants with foreign degrees experienced particularly high rates of overeducation. More recent Statistics Canada evidence similarly shows that occupational mismatch remains an important issue among immigrants with postsecondary education (Qiu & Hou, 2026).

Therefore, immigrant labour-market integration should be understood as more than simply obtaining employment. Effective integration involves the extent to which immigrants can convert their pre-migration human capital into employment that corresponds to their education, skills, and professional experience. This distinction is particularly important for high-skilled immigration because the economic rationale for selecting highly educated and experienced workers depends on their ability to contribute in occupations where their skills are needed. Consequently, credential recognition, language proficiency, occupational licensing, and the recognition of foreign work experience are not merely integration issues; they are important determinants of whether high-skilled immigration can effectively contribute to addressing labour-market needs.

Analytical Framework

This study adopts an analytical framework that connects immigration policy, human capital, labour-market integration, and labour shortages. The framework is based on the premise that the effectiveness of high-skilled immigration cannot be assessed solely by the number of skilled immigrants admitted. Instead, it depends on whether immigrants possess skills relevant to labour-market demand and whether institutional conditions allow those skills to be effectively utilized. This perspective follows the literature showing that immigration can expand labour supply while skill underutilization and occupational mismatch may limit its contribution to the host economy (Reitz, 2001; OECD, 2024). The framework consists of 4 interconnected stages. The first is immigration selection, through which governments determine which workers are admitted based on characteristics such as education, work experience, language proficiency, and occupational skills. In Canada, these characteristics are incorporated into economic immigration programs and selection mechanisms such as Express Entry. The second stage is labour-market integration, which determines whether immigrants can enter employment after arrival. Integration is influenced by factors including language proficiency, recognition of foreign qualifications, professional licensing, Canadian work experience, and employer recognition of foreign skills (Xu & Hou, 2023; Schimmele & Hou, 2024). The third stage is skills matching and utilization, referring to the extent to which immigrants work in occupations corresponding to their education, qualifications, and professional experience. The final outcome is the extent to which high-skilled immigration contributes to addressing labour shortages in occupations and regions where workers are needed.

Within this framework, labour-market demand is treated as an important reference point throughout the process. Immigration policy is more likely to contribute to reducing labour shortages when the skills of immigrants correspond to occupational and regional demand. Conversely, a mismatch may occur when immigrants possess high levels of education or professional experience but cannot access occupations that require those qualifications. Evidence from Canada supports this concern, as recent immigrants with postsecondary education continue to experience higher levels of education–occupation mismatch and overqualification than Canadian-born workers (Schimmele & Hou, 2024; Qiu & Hou, 2026).

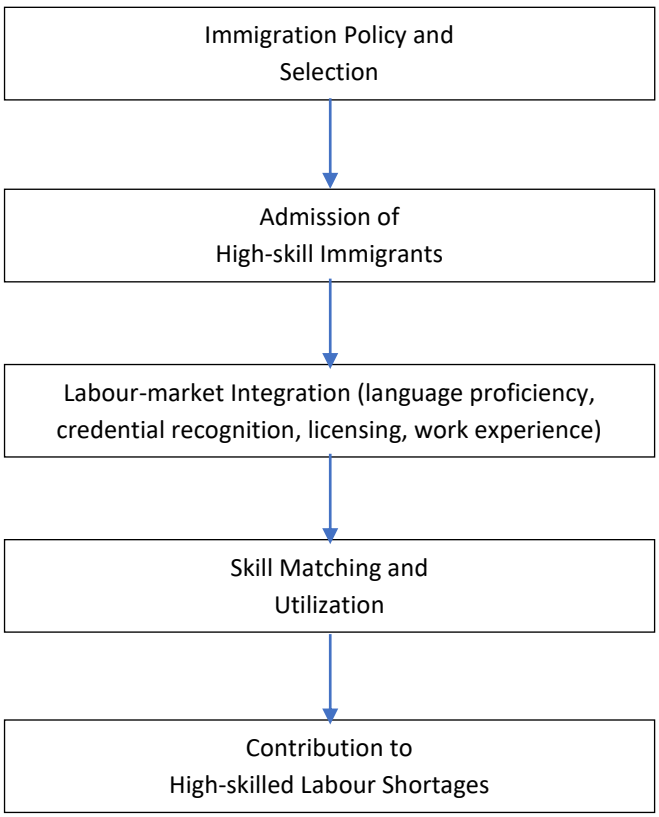


Figure 1. Research Model

Based on this framework, the study evaluates Canada's immigration policy through two dimensions: the capacity to attract and select high-skilled workers and the capacity to effectively utilize their human capital after arrival. This distinction is central to the analysis because a policy may perform well in selecting highly qualified immigrants while producing weaker outcomes in occupational matching. The framework therefore allows the study to examine not only whether Canada attracts workers with skills that are potentially valuable to the economy, but also whether institutional and labour-market conditions enable those skills to contribute to the reduction of high-skilled labour shortages. The framework subsequently provides the basis for identifying policy lessons that developing countries can adapt to their own labour-market and institutional contexts.

III. CANADA'S HIGH-SKILLED IMMIGRATION POLICY

Economic Immigration and Federal High-Skilled Programs

Canada has developed a highly institutionalized economic immigration system in which immigrant selection is explicitly connected to human capital and labour-market outcomes. Economic immigration is intended to attract individuals whose education, language proficiency, work experience and other characteristics are expected to contribute to Canada's economy. This approach has deep roots in Canada's points-based selection system and is broadly consistent with the human capital perspective, under which education, skills and experience represent productive assets that can increase labour-market productivity and earnings (Becker, 1964). Empirical research on Canada provides support for this logic. Picot et al. (2022), using longitudinal administrative data on economic principal applicants, found that official-language ability and Canadian work experience were among the strongest predictors of post-landing earnings, while education and age also contributed to labour-market outcomes. The findings therefore provide empirical support for the use of human-capital characteristics in economic immigration selection. The current immigration system is organized around several federal economic programmes. Express Entry manages applications for the Federal Skilled Worker Program (FSWP), Federal Skilled Trades Program (FSTP), and Canadian Experience Class (CEC), as well as part of the Provincial Nominee Program. Candidates who meet the eligibility requirements enter the Express Entry pool and receive a Comprehensive Ranking System (CRS) score based on characteristics such as age, education, official-language proficiency, Canadian work experience and other factors. The system then allows Immigration, Refugees and Citizenship Canada (IRCC) to invite highly ranked candidates to apply for permanent residence.

The empirical rationale for this system is relatively strong. Research by Picot et al. (2022) demonstrates that several characteristics used in economic immigration selection have predictive value for later earnings. Earlier research also shows that Canada's traditional human-capital model was associated with substantial long-term returns to education: although highly

educated immigrants could experience weaker earnings immediately after arrival, their earnings trajectories were substantially steeper over time than those of immigrants with lower educational attainment. This is important because it suggests that the value of human capital should not be evaluated solely through immediate post-arrival outcomes. Nevertheless, the evidence also reveals a limitation of a purely human-capital-oriented model: having characteristics associated with economic success is not necessarily equivalent to possessing a skill that is currently scarce in a particular occupation or region. Canada has therefore gradually supplemented general human-capital selection with more targeted mechanisms.

Express Entry and Category-Based Selection

Express Entry represents a major institutional shift in Canada's economic immigration system because it combines eligibility for federal high-skilled programmes with a centralized ranking mechanism. Rather than simply admitting applicants who satisfy minimum requirements, the CRS ranks candidates according to a broader set of characteristics and allows the government to control the composition and timing of invitations. The system was introduced in 2015 and initially represented a more flexible mechanism for selecting candidates with characteristics associated with successful labour-market integration.

Evidence suggests that this emphasis on measurable human-capital characteristics is not arbitrary. The technical research underlying Canada's selection system examined which characteristics best predicted post-landing earnings and informed the development of the CRS. Picot et al. (2022) found that language proficiency and Canadian work experience were particularly strong predictors of earnings, while the relative importance of education varied across cohorts and over time. This finding has an important policy implication: selection criteria are themselves empirical hypotheses about which characteristics will generate successful labour-market outcomes. As labour-market conditions change, the relative predictive value of different characteristics may also change, creating a rationale for periodically adjusting the selection system.

However, Express Entry should not be interpreted as a pure labour-shortage matching mechanism. Its CRS continues to reward broad human-capital characteristics rather than simply selecting workers for individual vacancies. This distinction explains why Canada subsequently introduced category-based selection. The policy evolution therefore represents a movement from immigration more responsive to specific economic priorities. Under this mechanism, IRCC can invite candidates who meet eligibility requirements for a particular category, such as a designated occupation or French-language proficiency, in addition to considering their CRS ranking. The government states that categories are established using labour-market information and projections as well as input from provinces, generalized human-capital selection toward a combination of human-capital and targeted labour-market selection.

Category-Based Selection

Canada introduced category-based selection within Express Entry in 2023 to make federal economic immigration more responsive to specific economic priorities. Under this mechanism, IRCC can invite candidates who meet eligibility requirements for a particular category, such as a designated occupation or French-language proficiency, in addition to considering their CRS ranking. The government states that categories are established using labour-market information and projections as well as input from provinces, territories and other stakeholders. The categories have evolved over time, demonstrating that the system is intended to respond to changing labour-market conditions. In 2024, categories included French-language proficiency, healthcare, STEM, trades, transport, and agriculture and agri-food. In 2025, transport was removed and education was introduced, while healthcare and social services, STEM, trades, agriculture and agri-food, education and French-language proficiency were prioritized. This evolution indicates that category-based selection is not a fixed occupational list but a policy instrument that can be revised as perceived economic priorities change. The 2026 system represents a further expansion of this targeted approach. Canada renewed categories for French-language proficiency, healthcare and social services, education, STEM and trades, while introducing or restoring categories for physicians with Canadian work experience, researchers with Canadian work experience, senior managers with Canadian work experience, transport occupations and skilled military recruits. For the renewed occupation-based categories, the minimum work-experience requirement was increased from six months to one year within the previous three years.

This development is particularly significant for the research question because it represents a shift from asking whether an applicant has a generally favourable human-capital profile to asking whether the applicant possesses characteristics connected to a specific economic priority. The government explicitly links category-based selection to long-term labour shortages, economic growth and the attraction and retention of talent. Nevertheless, category-based selection does not eliminate the distinction between selection and utilization. Being selected because an occupation is in shortage does not guarantee that an immigrant will ultimately be licensed, hired or retained in that occupation. This limitation becomes particularly important for regulated professions such as medicine and other healthcare occupations.

Canada's Immigration Policies and High-Skilled Labour Shortages: Lessons for Developing Countries

Canadian Experience Class and Two-Step Immigration Selection

An important development in Canada's economic immigration system is the increasing use of two-step immigration selection, whereby temporary residents first acquire Canadian education or work experience and subsequently transition to permanent residence. The Canadian Experience Class (CEC) is the clearest example of this approach. It provides a permanent-residence pathway for skilled workers who have acquired qualifying Canadian work experience. Express Entry therefore does not operate exclusively by selecting skilled immigrants directly from abroad; it also allows Canada to select individuals whose skills have already been tested in the Canadian labour market.

The rationale for this approach is strongly supported by Canadian empirical research. Hou et al. (2020) found that economic immigrants with pre-immigration Canadian work experience had substantially higher employment rates and earnings after obtaining permanent residence than those without such experience. Their analysis concluded that the expansion of two-step selection was the major factor behind improvements in the labour-market outcomes of recent economic immigrants. Among economic principal applicants, the share with pre-landing Canadian earnings increased markedly between the 2000 and 2018 cohorts, and those with medium or high pre-immigration Canadian earnings retained an employment advantage even years after obtaining permanent residence.Similarly, Hou and Bonikowska (2018) found that host-country work experience before permanent residence was associated with an earnings advantage after immigration, while Picot et al. (2022) identified Canadian work experience as one of the strongest predictors of later earnings. These findings help explain why Canada has increasingly emphasized pathways from temporary residence to permanent residence. These findings help explain why Canada has increasingly emphasized pathways from temporary residence to permanent residence.

This policy has an important analytical implication. It suggests that Canada is moving from a model in which the government attempts to predict future labour-market performance before admission toward a model in which the labour market itself provides information about a migrant's skills before permanent selection. Employers effectively participate in the selection process by hiring temporary workers, while subsequent immigration selection incorporates evidence of their performance in Canada. However, this approach also creates a potential inequality between immigrants who have access to Canadian work experience and those who enter directly from abroad. It may improve average labour-market outcomes while simultaneously making Canadian experience an increasingly important prerequisite for successful permanent immigration.

Provincial Nominee Programs and Regional Labour-Market Needs

Canada's economic immigration system is also characterized by substantial federal–provincial cooperation. The Provincial Nominee Program (PNP) allows provinces and territories to nominate immigrants according to their own economic and labour-market priorities. Unlike a purely federal selection model, the PNP recognizes that labour shortages differ geographically and that provincial governments may possess information about local labour demand that cannot be captured fully by a national selection system. The PNP has become an increasingly important component of economic immigration. Picot et al. (2023) show that the programme expanded substantially after its introduction across provinces and territories, reaching 68,000 provincial nominees in 2019 and accounting for approximately 35% of new economic immigrants that year, compared with only 1% in 2000. Its original objectives included increasing settlement outside Canada's major cities and responding to provincial and employer labour-force needs. More recent evidence confirms that the importance of the PNP varies substantially across provinces, with the programme playing a particularly large role in provinces such as Manitoba and Saskatchewan.

The regional approach therefore addresses an important weakness of national selection: a national shortage does not necessarily imply an equal shortage in every province. Provincial selection enables immigration policy to incorporate regional differences in labour demand, demographic conditions and settlement priorities. Recent research by Picot et al. (2023) further examines differences in PNP earnings across provinces, demonstrating that the economic outcomes of provincial nominees vary significantly according to where they settle. Nevertheless, regional nomination does not automatically produce long-term regional retention or occupational matching. The effectiveness of the PNP therefore depends on complementary policies concerning employment, settlement, housing, professional licensing and community integration. This is an important point for the broader argument of this paper: regional selection can improve the initial match between immigrant supply and local labour demand, but selection alone cannot guarantee long-term labour-market integration.

Regional and Community-Based Immigration Programs

Canada has supplemented the PNP with more geographically targeted programmes designed to distribute skilled immigration beyond the largest metropolitan areas. The Atlantic Immigration Program (AIP) provides a permanent-residence pathway for skilled foreign workers and international graduates who intend to live and work in New Brunswick, Nova Scotia, Prince Edward Island or Newfoundland and Labrador. A central feature is employer involvement: candidates require a job offer from a designated employer in Atlantic Canada. More recently, the Rural Community Immigration Pilot (RCIP) and Francophone

Community Immigration Pilot (FCIP) have provided pathways for skilled candidates willing to live and work in selected communities. The current programmes involve 18 participating communities and require community-based employer involvement and employment in priority sectors. These programmes represent a further movement toward place-based immigration, where the relevant unit of labour-market matching is not simply the national economy or province but the local community. This approach is particularly relevant to the problem of geographical mismatch. If high-skilled immigrants overwhelmingly settle in Toronto, Vancouver or Montréal, immigration may increase the national supply of skilled workers without necessarily solving shortages in smaller communities. Community-based programmes attempt to address this problem by connecting immigration selection directly to local employers and settlement intentions. However, their long-term effectiveness depends on whether participating communities can offer sufficient employment opportunities, infrastructure, housing and social services to retain newcomers.

Foreign Credential Recognition and Labour-Market Integration

Immigration selection represents only the first stage of Canada's high-skilled immigration strategy. Canada has also developed policies intended to ensure that immigrants' foreign education and professional experience can be converted into employment. The Foreign Credential Recognition Program (FCRP) supports provinces, territories, regulatory bodies and other organizations in improving credential-recognition processes and helping internationally trained professionals gain Canadian work experience. Its stated objectives include strengthening credential-recognition capacity, improving labour-market integration and enhancing labour mobility. The existence of this programme is itself analytically important. It demonstrates that Canada recognizes a potential gap between immigration selection and labour-market utilization. A foreign-trained doctor, engineer or other regulated professional may satisfy immigration selection criteria but still be unable to practise immediately because professional standards and licensing requirements are determined through regulatory systems. Government guidance explicitly notes that internationally trained professionals in regulated occupations generally need to have their credentials recognized and obtain Canadian licensing or certification before practising. The process can involve examinations, additional education and financial costs.

The 2025 evaluation of the FCRP similarly found an ongoing federal role in addressing systemic labour shortages, coordinating across jurisdictions and supporting internationally trained professionals. Importantly, however, the programme should not be interpreted as evidence that credential recognition has been completely solved. The continued need for federal intervention and the existence of additional licensing and regulatory barriers demonstrate that institutional recognition remains a critical intermediary between the selection of skilled immigrants and their actual contribution to the labour market.

Table 1. Canada's Major Policies for High-Skilled Immigration and Labour-Market Needs

Policy & mechanism	Main Function	Selection & Target	Labour-market Logic
Express Entry	Federal system for managing economic immigration applications	FSWP, FSTP, CEC candidates	Selects candidates based on human capital and labour-market characteristics
Federal Skilled Worker Program (FSWP)	Permanent residence pathway for skilled workers	Skilled workers with foreign or Canadian experience	General human-capital selection
Federal Skilled Trades Program (FSTP)	Permanent residence pathway for skilled trades workers	Eligible skilled trades workers	Addresses skilled-trades labour supply
Canadian Experience Class (CEC)	PR pathway for people with Canadian skilled work experience	Temporary residents with qualifying Canadian experience	Uses demonstrated Canadian labour-market performance
Comprehensive Ranking System (CRS)	Ranks Express Entry candidates	Express Entry pool	Rewards education, language, age, experience and other factors
Category-Based Selection	Targets candidates with specific characteristics	Priority occupations/language categories	Responds to identified economic and labour-market priorities
French-Language Category	Attracts French-speaking workers outside Quebec	Candidates with strong French proficiency	Supports Francophone labour supply and demographic

			objectives
Healthcare & Social Services Category	Prioritizes workers in healthcare/social services	Eligible occupations	Responds to persistent labour shortages
STEM Category	Prioritizes selected STEM occupations	Eligible STEM occupations	Addresses projected long-term shortages
Trades Category	Prioritizes skilled trades	Eligible trades occupations	Addresses skilled-trades shortages
Education Category	Introduced in 2025	Selected education occupations	Responds to education-sector needs
Agriculture & Agri-food Category	Targets workers in agriculture/agri-food	Selected occupations	Addresses sector-specific labour needs
Provincial Nominee Program (PNP)	Allows provinces/territories to nominate immigrants	Provincial priorities and streams	Addresses regional labour and demographic needs
Atlantic Immigration Program (AIP)	Attracts workers to Atlantic provinces	Skilled workers/international graduates with designated-employer offers	Fills jobs difficult to fill locally
Rural Community Immigration Pilot (RCIP)	Attracts skilled workers to participating rural communities	Skilled workers with community/employer connection	Addresses rural labour shortages
Francophone Community Immigration Pilot (FCIP)	Supports Francophone minority communities	Skilled candidates intending to settle in participating communities	Combines labour demand with regional Francophone objectives
Foreign Credential Recognition (FCR)	Assesses foreign qualifications	Internationally trained workers	Converts foreign human capital into recognized Canadian qualifications
Professional licensing / regulation	Determines eligibility to practise regulated professions	Internationally trained professionals	Ensures occupational standards
Pan-Canadian FCR Framework	Coordinates recognition approaches	Governments/regulators/internationally trained workers	Improves recognition processes
Two-step immigration selection	Selects permanent residents from temporary residents	Temporary foreign workers with Canadian experience	Uses observed Canadian labour-market performance

Source: Compiled by the authors

IV. CANADA'S HIGH-SKILLED IMMIGRATION POLICY

The effectiveness of Canada's high-skilled immigration policies should be assessed by distinguishing between two related but different outcomes: (i) the ability to increase the supply of skilled workers; and (ii) the ability to ensure that these workers fill occupations experiencing labour shortages. Evidence suggests that Canada has been relatively successful in attracting immigrants with strong human-capital characteristics and achieving positive labour-market outcomes among economic immigrants. However, the extent to which immigration has resolved specific high-skilled labour shortages is more difficult to establish. This distinction is important because an increase in the number of highly educated immigrants does not necessarily translate into an equivalent increase in the supply of workers in shortage occupations.

Contribution of Immigration to Labour Supply

Immigration has made a substantial contribution to the expansion of Canada's labour supply. Statistics Canada (2022) estimated that immigrant workers accounted for 84% of the growth in Canada's total labour force during the 2010s and 55% of the growth in high- and medium-skilled employment. Immigrant workers also offset part of the decline in lower-skilled employment among Canadian-born workers during the same period. These figures demonstrate that immigration is not a

marginal component of Canada's labour-market adjustment but a central source of labour-force growth. This contribution is particularly important in the context of population ageing and the slower growth of the domestic working-age population. Immigration can therefore increase the number of workers available to firms and help sustain employment growth when domestic demographic trends alone are insufficient to meet labour demand.

The contribution is also visible in sectors facing substantial demographic and recruitment pressures. The health sector provides an important example. Statistics Canada (2025) found that immigration has been a major source of workforce renewal in Canadian health occupations. In particular, recent immigrants and non-permanent residents represented a substantial share of younger workers in occupations such as nurse aides, orderlies and patient service associates. The evidence also indicates that immigrants contribute to the renewal of occupations affected by demographic pressures, although the extent to which they enter the specific regulated occupations for which shortages exist varies considerably. Thus, immigration can clearly function as an important mechanism for expanding labour supply and renewing the workforce.

However, aggregate labour-supply effects should not be interpreted automatically as evidence that immigration has solved Canada's skilled-labour shortages. Labour shortages are not distributed evenly across the economy. They are often concentrated in particular occupations, industries and geographic areas. An increase in the number of highly educated workers may therefore coexist with shortages in specific professions if immigrants do not enter those occupations. For example, increasing the number of workers with postsecondary qualifications does not necessarily increase the number of licensed physicians, registered nurses, engineers or other regulated professionals if credential recognition and licensing barriers prevent internationally trained workers from practising in their fields. The appropriate measure of policy effectiveness is therefore not simply the number of skilled immigrants entering Canada, but the extent to which their skills are converted into additional occupational supply where labour demand is greatest.

Positive Labour-Market Outcomes of High-Skilled Immigrants

Canada's economic immigration system also demonstrates considerable success in selecting immigrants who subsequently achieve strong labour-market outcomes. This is particularly evident among principal applicants selected through Express Entry. According to IRCC's 2026 evidence, Federal High Skilled principal applicants admitted between 2015 and 2022 recorded employment rates above 94%, while median employment earnings ranged from approximately CAD 58,000 to CAD 80,000 during their first five years after admission. IRCC also reports that Express Entry principal applicants earned higher median weekly wages than the Canadian-born population relatively soon after arrival.

These outcomes provide support for the underlying logic of Canada's human-capital-oriented selection system. Express Entry assigns significant weight to characteristics such as education, official-language proficiency, age and work experience, while additional points can be awarded for Canadian education and Canadian work experience. The strong employment and earnings outcomes of Federal High Skilled principal applicants therefore suggest that these characteristics contain useful information about subsequent economic performance. In this respect, Canada's selection system appears relatively effective at identifying individuals who are capable of achieving relatively rapid economic integration.

Nevertheless, employment and earnings alone are insufficient measures of high-skilled immigration effectiveness. A worker may have a high income while still working outside their field of training, while another worker may be employed but significantly below their qualification level. From a labour-shortage perspective, the relevant question is therefore not only whether an immigrant is employed, but whether the immigrant is employed in an occupation that makes use of their skills and contributes to the labour demand that immigration policy intended to address. This distinction becomes particularly important when evaluating immigrants with foreign professional credentials. Strong aggregate employment outcomes can coexist with significant occupational mismatch, meaning that positive individual economic outcomes do not necessarily imply optimal utilization of immigrant human capital.

Persistent Occupational Mismatch and Skill Underutilization

The persistence of occupational mismatch represents one of the strongest qualifications to the positive assessment of Canada's high-skilled immigration policy. Recent Statistics Canada evidence shows that core-aged immigrants with postsecondary qualifications remain more likely to experience job mismatch than Canadian-born workers. Across September 2024 and September 2025, 32.6% of recent immigrants with postsecondary qualifications reported being overqualified for their jobs, compared with 19.1% of Canadian-born workers. Recent immigrants were also more likely to work in occupations unrelated to their field of study: 20.2% reported that their jobs were mostly or not at all related to their field of study, compared with 15.1% among Canadian-born workers.

The comparison with established immigrants is particularly revealing. The overqualification rate declined from 32.6% among recent immigrants to 24.6% among immigrants who had become permanent residents five to ten years earlier and to 22.4%

among established immigrants who had been permanent residents for more than ten years. Although the latter rate remained above the 19.1% observed among Canadian-born workers, the pattern indicates that some forms of mismatch diminish with time spent in Canada. This may reflect gradual acquisition of Canadian work experience, improved knowledge of the labour market, professional networks, language development or successful credential recognition. At the same time, the persistence of a gap even among established immigrants suggests that time alone does not completely eliminate the structural barriers affecting the utilization of foreign human capital.

The problem is particularly significant for foreign-trained professionals in high-demand occupations. Statistics Canada's analysis of the 2021 Census found that only 36.5% of immigrants with a foreign bachelor's degree in nursing worked as registered nurses or in closely related occupations, compared with 87.4% of workers with a Canadian nursing degree. Similarly, only 41.1% of immigrants with a foreign medical degree worked as doctors, compared with approximately 90.1% among those with Canadian medical degrees. Statistics Canada estimated that if immigrants with foreign nursing and medical degrees worked in their fields at rates comparable to those with Canadian degrees, the potential number of working-age registered nurses and closely related workers could increase by approximately 27,350, while the potential number of doctors could increase by approximately 15,730.

These findings are particularly important because they reveal a distinction between human-capital supply and effective occupational supply. Canada may successfully attract an immigrant who possesses a medical or nursing degree, but that individual does not necessarily become an additional practising physician or registered nurse. In regulated professions, the economic value of foreign human capital is mediated by licensing and recognition institutions. Consequently, immigration can increase the stock of educated workers without producing an equivalent increase in the stock of licensed professionals available to address a particular shortage. The problem is therefore not necessarily a failure of immigration selection itself; rather, it represents a failure or limitation in the subsequent conversion of selected human capital into occupational supply.

Targeted Immigration and Long-Term Labour Shortages

Canada has increasingly responded to this problem by moving toward more targeted forms of immigration selection. The introduction of category-based selection under Express Entry represents an important shift from a predominantly general human-capital model toward a system that can respond more directly to identified labour-market needs. IRCC reports that category-based selection has been used to target candidates according to characteristics associated with Canada's economic priorities, while the selection categories are informed by labour-market projections and consultations with provinces, territories, employers, workers and other stakeholders.

The policy rationale behind this approach is straightforward. If labour shortages are concentrated in specific occupations, then selecting immigrants according to general characteristics such as education and language proficiency may be less efficient than identifying candidates who already possess skills in occupations experiencing persistent demand. Category-based selection therefore attempts to reduce the distance between immigrant selection and labour-market demand. This is an important evolution in Canadian policy because it recognizes that the economic value of immigration depends partly on what immigrants are trained to do, not only on their general level of education or employability.

The Provincial Nominee Program provides a complementary mechanism by incorporating regional labour-market considerations into immigration selection. Provinces and territories can nominate immigrants according to their own economic and labour-market priorities, thereby creating a mechanism through which immigration can respond to shortages that are not evenly distributed across Canada. The expansion of the PNP has also contributed to greater geographical diversification of economic immigration. This is significant because a worker with the appropriate skills may still fail to address a national shortage if they settle in a region where their occupation is already relatively well supplied.

However, targeted selection should not be interpreted as a guarantee of successful matching. Selecting a candidate because their occupation appears on a shortage list does not automatically ensure that the candidate will obtain employment in that occupation. Professional licensing, credential recognition, employer requirements, language proficiency and regional retention remain relevant after admission. Targeted selection can therefore increase the probability of occupational matching, but it cannot eliminate the institutional barriers that determine whether skills are ultimately utilized. This distinction is essential because it connects Canada's current policy direction with the barriers discussed in the previous section: improving the accuracy of selection is only one part of the solution if post-arrival institutions remain unable to convert selected skills into occupational employment.

From External Recruitment to In-Canada Talent Retention

Another important development in Canada's current immigration policy is the increasing emphasis on retaining skilled workers who are already participating in the Canadian labour market. This represents a shift from relying exclusively on

recruitment from abroad toward making greater use of human capital that has already undergone part of the integration process. In 2026 and 2027, the federal government introduced a one-time initiative to accelerate the transition of up to 33,000 skilled temporary workers to permanent residence, with at least 20,000 targeted for transition in 2026. The initiative focuses particularly on workers who have established roots in smaller communities and are already working in in-demand sectors.

From a labour-market perspective, this approach has a potentially important advantage. Workers already employed in Canada have already accumulated Canadian work experience, established relationships with employers and communities, and demonstrated some ability to function within Canadian labour-market institutions. The government therefore does not need to overcome the same degree of uncertainty associated with an applicant arriving directly from abroad with unfamiliar qualifications and no Canadian employment history. In this sense, transitioning successful temporary workers to permanent residence can be interpreted as a strategy for retaining already-tested human capital rather than continually relying on new external recruitment.

The regional dimension of this initiative is also significant. The government has specifically emphasized smaller communities experiencing labour shortages, suggesting that the policy is intended not only to retain skilled workers but also to improve geographical matching. This illustrates an increasingly integrated approach in which immigration policy seeks to address three problems simultaneously: labour supply, occupational demand and regional retention. Nevertheless, the long-term effectiveness of this approach will depend on whether workers remain in the targeted communities after obtaining permanent residence. Admission or transition numbers alone cannot establish whether the policy has generated durable regional labour-market benefits.

Assessment of Policy Effectiveness

The evidence suggests that Canada's high-skilled immigration policy has been substantially effective in expanding labour supply and relatively effective in producing positive economic outcomes for selected immigrants, but less clearly effective in ensuring complete utilization of immigrant skills in specific shortage occupations. The first conclusion is strongly supported by the contribution of immigrants to labour-force growth. During the 2010s, immigrant workers accounted for 84% of total labour-force growth and 55% of growth in high- and medium-skilled employment. The second conclusion is supported by the strong employment and earnings outcomes of Express Entry Federal High Skilled principal applicants, whose employment rates exceeded 94% and whose median earnings were relatively high during their first five years in Canada.

Persistent occupational mismatch shows that employment and earnings cannot be used as proxies for effective skill utilization. Recent immigrants with postsecondary qualifications continue to experience substantially higher rates of overqualification than Canadian-born workers, while evidence from regulated health professions demonstrates particularly large differences between foreign- and Canadian-trained professionals in entering their trained occupations. These findings indicate that Canada can successfully attract and select highly educated individuals while simultaneously failing to capture the full productive value of the human capital they bring. This distinction also changes how the effectiveness of category-based and regional immigration should be evaluated. The introduction of occupation-specific selection represents an important improvement because it makes immigration more responsive to identified labour-market needs. Similarly, the use of regional economic immigration and the 2026–2027 initiative for transitioning skilled temporary workers indicate increasing attention to local shortages and retention. Yet these mechanisms operate primarily at the selection and admission stages. Their ultimate success depends on downstream institutions, including credential recognition, professional licensing, employer recruitment, language support and regional retention.

The central finding is therefore that Canada has been more successful at attracting and selecting high-skilled human capital than at ensuring its complete utilization in shortage occupations. This should not be interpreted as evidence that Canada's immigration policy has failed. Rather, it demonstrates that immigration is capable of solving only the labour-supply component of a shortage. A shortage exists because employers require workers with particular skills, in particular occupations and often in particular locations. Immigration addresses the supply side of this equation, but the connection between immigrant supply and effective occupational supply depends on the institutional mechanisms that determine whether immigrants can actually practise their professions and obtain appropriate employment. The broader policy implication is that the effectiveness of high-skilled immigration should therefore be assessed using both selection indicators and utilization indicators. Selection indicators include education, language proficiency, work experience, occupational category and admission numbers. Utilization indicators should include occupational match, professional licensing, earnings relative to qualifications, time to first professional employment, regional retention and the extent to which immigrants enter occupations experiencing persistent shortages. Such an approach provides a more complete assessment of whether immigration is merely increasing the number of skilled people in the economy or actually increasing the effective supply of scarce skills.

Ultimately, Canada's experience demonstrates that attracting high-skilled immigrants is a necessary but insufficient condition for resolving high-skilled labour shortages. Immigration can expand the labour force and bring substantial human capital into the country, but the economic value of that human capital depends on the institutions that allow it to be recognized and utilized. The movement toward category-based selection, provincial nomination and the retention of workers already employed in Canada represents an attempt to narrow the gap between immigration selection and labour-market demand. However, the persistence of occupational mismatch indicates that selection reform must be accompanied by reforms in credential recognition, professional regulation, employment matching and regional integration. Canada's high-skilled immigration policy should therefore be understood not simply as a mechanism for attracting talent, but as part of a broader institutional system for converting migrant human capital into effective and sustainable labour-market supply.

V. BARRIERS TO EFFECTIVE LABOUR-MARKET INTEGRATION OF HIGH-SKILLED IMMIGRANTS

Foreign Credential Recognition

One of the most significant institutional barriers is the recognition and transferability of foreign educational and professional credentials. A foreign university degree does not automatically have the same occupational value as a Canadian credential, particularly in regulated professions. In Canada, internationally trained professionals seeking to work in regulated occupations must normally have their education, training and experience assessed against provincial or territorial standards and may subsequently have to obtain a professional licence or certificate. Importantly, an Educational Credential Assessment (ECA) undertaken for immigration purposes does not itself confer professional licensing or establish that an immigrant is qualified to practise in a regulated occupation. This creates an important distinction between being considered sufficiently qualified to immigrate and being legally or professionally qualified to practise a particular occupation in Canada. Consequently, an immigrant may enter Canada through a skilled immigration pathway on the basis of a recognized foreign degree and substantial professional experience, while still being unable to work in the occupation for which that human capital was acquired.

The empirical evidence indicates that this recognition problem is not merely theoretical. Statistics Canada's recent Labour Force Survey evidence shows that 55.3% of recent working-age immigrants with foreign postsecondary credentials had applied for an equivalency assessment by the third quarter of 2024. More importantly, among working-age immigrants who had applied to practise a regulated occupation based on foreign credentials, only 42.7% had obtained full recognition of their foreign qualifications and experience, while 34.0% had received only partial recognition and therefore needed additional courses or training. Earlier evaluations similarly identified delays, administrative complexity, inconsistent requirements across jurisdictions and financial costs as important obstacles. The Foreign Credential Recognition Program evaluation found that credential recognition processes could be lengthy and that delays in licensing internationally trained professionals increased the risk of deskilling and underemployment. Costs can also include application fees, document collection, translation, bridging education and additional training, with the total burden varying considerably across occupations. Thus, credential recognition constitutes a potential institutional bottleneck between immigration selection and actual occupational integration that Canada may select an immigrant because they possess valuable human capital, but the regulatory system may prevent that human capital from being immediately converted into employment in the corresponding profession.

Language Proficiency

Language proficiency represents a second major barrier, although it should not be conceptualized simply as whether immigrants can speak English or French. For high-skilled workers, labour-market integration may depend on the ability to communicate effectively in occupation-specific contexts, understand professional terminology, participate in workplace interactions, write technical or administrative documents and communicate with clients, colleagues and supervisors. This distinction is particularly important because immigration-level language assessment and workplace communication are related but not identical concepts. Canadian immigration policy explicitly incorporates language proficiency into economic immigration selection. Under the current Express Entry system, for example, language results contribute directly to eligibility and Comprehensive Ranking System (CRS) scores, while the Federal Skilled Worker Program requires a minimum CLB 7 across the four language abilities. Higher official-language proficiency also generates substantially more CRS points.

Evidence from Express Entry immigrants demonstrates that language ability matters particularly for earnings, even when its effect on simply obtaining employment is more limited. Xu & Hou (2023) analysing economic principal applicants admitted through Express Entry between 2015 and 2018, found that test-based measures of listening, speaking, reading and writing all had independent positive effects on earnings. The authors found that tested language skills were about as important as pre-immigration Canadian work experience and more important than education and age in predicting initial earnings. Their results therefore suggest that language proficiency should be understood as a mechanism affecting the quality and economic return of

employment, rather than only the probability of being employed. This is particularly relevant to high-skilled immigrants because inadequate occupational communication may prevent otherwise qualified workers from accessing professional-level positions or progressing within them. Consequently, there is a potential gap between Canada's selection of immigrants partly on the basis of language ability and the more demanding communicative competencies required for successful professional integration.

Canadian Work Experience

A particularly important barrier is the paradox surrounding Canadian work experience. Canada's immigration system explicitly values work experience as a form of human capital, including foreign work experience. Under Express Entry, foreign work experience can contribute substantially to the CRS skill-transferability score when combined with strong official-language proficiency. At the same time, Canadian work experience receives its own substantial weight in the CRS, and the Canadian Experience Class specifically targets applicants with eligible Canadian skilled work experience. This creates a potential institutional mismatch that Canada may select immigrants partly because they possess substantial foreign professional experience, while employers may nevertheless prefer candidates who already possess Canadian experience.

Empirical evidence strongly supports the importance of host-country experience. Statistics Canada research finds that pre-landing Canadian work experience is one of the strongest predictors of immigrants' post-landing earnings. For economic principal applicants arriving between 2005 and 2007, having one year of pre-landing Canadian work experience was associated with earnings that were 94% higher than among those without such experience in the short term, although the advantage declined to 43% over the longer term. Similarly, research on former temporary residents shows that immigrants with prior Canadian skilled work experience had substantially higher initial earnings than immigrants admitted directly from abroad. The problem is therefore potentially self-reinforcing: immigrants need Canadian experience to demonstrate that they can operate successfully in the Canadian labour market, but obtaining that first Canadian professional position may itself require Canadian experience. Recent Statistics Canada evidence confirms that 42.2% of recent working-age immigrants who experienced difficulties finding their first job identified insufficient Canadian work experience or references as a main difficulty, while 34.6% reported that employers did not accept their foreign work experience. This resulting mechanism outlines a systemic pathway that begins with selection based partly on foreign human capital, leading to admission to Canada, where newcomers immediately face an employer preference for Canadian experience. This disconnect creates a severe difficulty obtaining the first professional job, ultimately forcing highly skilled immigrants into occupational downgrading or underemployment. This process uncovers a significant institutional mismatch, proving that the very human capital used to justify an immigrant's selection is rarely valued equally by the local labor market after arrival.

Employer Practices and Discrimination

Employer behaviour constitutes another important barrier because the labour-market value of immigrants' human capital ultimately depends on whether employers are willing and able to recognize foreign qualifications, experience and professional capabilities. Foreign credentials may be difficult for employers to interpret, while foreign work experience may be perceived as less informative than equivalent Canadian experience. In addition, immigrants may initially have weaker Canadian professional networks, which can restrict access to informal recruitment channels and referrals. Recent Statistics Canada evidence illustrates the combined nature of these barriers, among recent working-age immigrants who experienced difficulties finding their first job, 38.3% identified a lack of labour-market connections, 34.6% reported that foreign work experience was not accepted and 31.9% reported that foreign qualifications were not accepted. These patterns suggest that the underutilization of immigrant skills cannot be explained solely by individual characteristics, employer-side recognition and recruitment practices also matter.

There is also direct experimental evidence that discrimination can contribute to these outcomes. In a large field experiment involving approximately 12,900 resumes submitted to more than 3,000 job postings in Toronto, Oreopoulos (2011) found substantial differences in interview callback rates associated with foreign experience and ethnic-sounding names. Importantly, employers valued Canadian experience considerably more than otherwise comparable foreign experience, while applicants with certain immigrant-associated names received fewer interview requests even when other characteristics were held constant. These findings provide stronger evidence than survey perceptions alone because the experimental design allows employer responses to different applicant characteristics to be compared while holding other résumé information constant. Nevertheless, discrimination should not be treated as the sole explanation for immigrant labour-market difficulties. Employer uncertainty about unfamiliar credentials, differences in professional standards, concerns about communication, limited networks and the absence of Canadian references can operate simultaneously. The appropriate conclusion, therefore, is that employer-side recognition problems and discriminatory hiring practices are plausible and empirically supported contributing mechanisms within a broader set of institutional barriers, rather than a single universal explanation for immigrant underemployment.

Regional and Occupational Mismatch

The final barrier concerns the geographical and occupational mismatch between where skilled immigrants settle and where particular labour-market needs exist. An immigrant may possess skills that are valuable to the Canadian economy at the national level but nevertheless experience weak employment outcomes if their occupation is oversupplied in the region where they live. This problem is particularly relevant because immigrants have historically been concentrated in Canada's major gateway metropolitan areas. Statistics Canada reported that in 2011, 63.4% of immigrants lived in Montréal, Toronto or Vancouver, with Toronto alone accounting for 37.5% of the immigrant population. More recent evidence indicates that this concentration has declined, partly because of the expansion of the Provincial Nominee Program (PNP), but major metropolitan areas continue to play a dominant role in immigrant settlement. Among economic principal applicants admitted in 2014, just over half initially settled in Montréal, Toronto or Vancouver, and the majority of those who settled in these centres remained there over subsequent years.

This geographical concentration can create a distinction between national immigration success and regional labour-market success. Canada may successfully attract engineers, health professionals, technology workers or other highly educated immigrants while particular provinces, smaller communities or rural areas continue to experience shortages in these occupations. The PNP was explicitly developed in part to address this problem by enabling provinces and territories to select immigrants according to regional economic and labour-market needs. Research by Picot, Hou, and Crossman (2023) shows that the expansion of the PNP was associated with greater geographical decentralization of economic immigration: the share of new economic immigrants intending to settle in Ontario declined from 61% in 2000 to 42% in 2019, while the Prairie and Atlantic provinces received larger shares. The PNP therefore represents an attempt to reduce the spatial mismatch between immigrant supply and regional labour demand. However, regional matching should not be interpreted simply as a matter of directing immigrants toward areas with vacancies, because retention and long-term integration also matter. Recent research continues to examine differences in economic outcomes and retention across provinces, indicating that regional labour-market integration is not uniform across Canada. Thus, the effectiveness of high-skilled immigration should be evaluated not only by how many qualified immigrants Canada admits, but also by where they settle, whether their occupations match local demand, and whether they remain economically integrated in the region where their skills are needed.

VI. DISCUSSIONS OF FINDINGS

From Attraction to Utilization

Canada's experience demonstrates that attracting high-skilled immigrants is a necessary but insufficient condition for addressing skilled labour shortages. The Canadian immigration system has developed sophisticated mechanisms for identifying applicants with characteristics associated with economic success, including education, previous work experience, language proficiency and, increasingly, occupation- or sector-specific characteristics. Express Entry, for example, uses the Comprehensive Ranking System to rank candidates according to human-capital and labour-market characteristics, while the Provincial Nominee Program allows provinces and territories to select immigrants according to regional economic priorities. However, the evidence reviewed in the previous sections suggests that successful selection does not automatically produce successful labour-market utilization. Recent Statistics Canada research shows that occupational mismatch remains substantial among recent immigrants and that the economic consequences are particularly pronounced among highly educated immigrants. In 2021, only around one in five immigrants admitted between 2010 and 2020 were working in their intended specific occupation, while those who did not match their intended occupation were more likely to work in lower-skilled occupations.

This distinction suggests that skilled immigration should be understood as a multi-stage process rather than a single policy intervention. The process can be conceptualized as: (i) attraction; (ii) selection; (iii) admission; (iv) integration; (v) recognition; (vi) matching; (vii) retention; (viii) labour-market contribution. Each stage represents a potential conversion point at which the human capital of an immigrant can either be successfully transferred into the Canadian labour market or become underutilized. Canada performs relatively strongly at the earlier stages of this chain. Its economic immigration system is explicitly designed to attract and select individuals according to characteristics associated with labour-market outcomes, and the expansion of Express Entry and the Provincial Nominee Program has increased the role of human-capital and labour-market considerations in immigrant selection. Yet the evidence from credential recognition, Canadian work experience, employer practices and occupational mismatch indicates that later stages are more difficult. In other words, Canada has developed considerable capacity to identify and attract skilled immigrants, but the institutional capacity to convert those skills into appropriately matched employment is less consistent.

The distinction between selection and utilization is particularly important because the economic rationale for high-skilled immigration ultimately depends on the latter. An immigrant who is selected as an engineer, health professional, information-

technology specialist or other highly skilled worker contributes most directly to the objective of addressing labour shortages when their qualifications and experience are actually used in the corresponding occupation. If professional licensing, employer recognition or regional mismatch prevents this from occurring, the numerical success of immigration selection may coexist with continued shortages in particular occupations. This is consistent with the finding that occupational mismatch is associated with significant earnings penalties, particularly for highly educated immigrants. Therefore, the relevant policy question should not simply be how many high-skilled immigrants Canada attracts, but how effectively Canada converts the skills selected at admission into productive employment after arrival.

This perspective also helps explain why some Canadian immigration policies can appear successful according to one indicator while producing weaker outcomes according to another. High admission numbers, high educational attainment among immigrants or strong language scores may demonstrate successful selection, but they do not necessarily demonstrate successful integration. A more complete evaluation would therefore distinguish between input indicators such as the number and characteristics of immigrants admitted and outcome indicators, including occupational match, earnings, professional licensing, employment quality, retention and contribution to sectors experiencing shortages. From this perspective, Canada's experience suggests that the effectiveness of skilled immigration depends less on any single selection mechanism than on the ability of institutions to connect selection with post-arrival labour-market integration.

From Volume-Based to Targeted Immigration

A second lesson from Canada's recent policy development is a gradual movement from a predominantly volume-oriented approach toward more targeted immigration selection. Historically, the central policy question could be framed largely in terms of how many immigrants Canada should admit while maintaining economic, social and settlement capacity. More recently, however, Canadian policy has increasingly focused on the characteristics of immigrants, the sectors in which they can contribute and the regions in which labour shortages exist. This direction is particularly visible in the increased use of category-based selection within Express Entry and in the Provincial Nominee Program. The federal government has used category-based selection to prioritize candidates with characteristics connected to particular labour-market needs, including French-language proficiency and selected occupational categories. The Provincial Nominee Program similarly gives provinces greater influence over the selection of immigrants according to their own economic and labour-market priorities.

The change can therefore be understood as a movement from asking "How many immigrants can Canada admit?" toward asking "Which immigrants does Canada need, where are they needed, and in which sectors?" This represents an important conceptual development because labour shortages are not distributed evenly across Canada. A national shortage in a particular occupation may coexist with an oversupply of workers in another region, while rural and smaller communities can experience shortages even when major metropolitan areas attract large numbers of skilled newcomers. Research on the Provincial Nominee Program indicates that its expansion has contributed to greater geographical diversification of economic immigration, reducing the concentration of economic immigrants in Ontario and increasing the share settling in other provinces.

Nevertheless, targeted selection should not be interpreted as equivalent to successful labour-market matching. Selecting the "right" immigrant at the admission stage does not guarantee that the immigrant will be able to work in the occupation for which they were selected. The barriers discussed in Section 5 remain relevant after selection. For example, selecting internationally trained healthcare professionals may increase the supply of human capital relevant to healthcare shortages, but the effect on the actual supply of practising professionals will depend on licensing requirements, credential assessment, bridging programs and provincial regulatory capacity. Similarly, selecting immigrants with high language proficiency does not eliminate employer concerns about Canadian experience or occupational communication. Targeted immigration can therefore improve the probability of matching immigrant characteristics with labour demand, but it cannot eliminate the institutional frictions that occur between admission and employment.

This distinction is especially important for evaluating Canada's current shift toward more targeted selection. A targeted immigration system should ideally be assessed not only according to whether it successfully attracts candidates in priority categories, but also according to whether those candidates ultimately enter and remain in the occupations and regions for which they were selected. This implies that the success of category-based selection and regional immigration programs should be measured using downstream indicators such as occupational licensing rates, occupational match, time to professional employment, earnings, retention and long-term employment stability. Otherwise, there is a risk of simply creating a more sophisticated version of volume-based selection, whihc is the one that identifies immigrants with supposedly scarce skills without ensuring that those skills can actually be utilized.

The Role of Policy Coordination

The final and perhaps broader lesson from Canada's experience is that skilled immigration cannot be treated as an immigration-policy problem alone. The evidence presented in this paper suggests that labour-market outcomes depend on institutions that extend well beyond the immigration system itself. Credential recognition involves educational institutions and professional regulators; language development involves settlement and education systems; employment matching involves employers and labour-market institutions; professional licensing is governed largely at the provincial level; and regional distribution is influenced by provincial immigration programs and broader regional economic conditions. Consequently, the effectiveness of economic immigration depends on the interaction between immigration policy, labour-market policy, education and training policy, credential recognition, professional regulation, regional development and employment policy.

This institutional interdependence explains why improvements at the selection stage may produce only limited effects if complementary institutions do not adjust accordingly. Consider the case of a highly skilled healthcare professional selected because Canada has a shortage in their occupation. The immigration system may successfully identify and admit the individual, but the expected labour-market contribution cannot occur immediately if the relevant provincial regulator requires additional examinations, supervised practice or bridging education. The same principle applies to other regulated professions. Thus, the policy chain contains potential bottlenecks outside the jurisdiction of immigration authorities. Canada's Foreign Credential Recognition framework itself reflects this reality by emphasizing coordination among governments, regulatory bodies, employers and other stakeholders involved in the recognition and integration of internationally trained professionals.

The need for coordination also emerges from the interaction between federal and provincial responsibilities. Immigration selection is increasingly shared across federal and provincial institutions, while many professional licensing and labour-market institutions operate primarily at the provincial level. This creates the possibility of a vertical coordination problem: the federal government may select immigrants according to national labour-market priorities, while provinces and professional regulatory bodies determine whether those immigrants can actually practise their occupations. The Provincial Nominee Program partly addresses this issue by giving provinces a greater role in selecting immigrants according to regional needs. However, selection authority alone cannot resolve downstream barriers if recognition, licensing and employer practices remain disconnected from immigration priorities.

Canada's experience therefore supports a whole-of-government approach to skilled immigration. Such an approach would treat immigration selection as one component of a broader labour-market strategy rather than as an independent policy instrument. The objective would be to coordinate the entire pathway from recruitment and selection through settlement, credential recognition, licensing, employment matching and retention. In practical terms, this means that when Canada identifies a shortage in a particular occupation or region, policy should not stop at increasing the number of immigrants selected for that occupation. It should also ask whether credentials can be assessed rapidly, whether licensing capacity is sufficient, whether bridging programs exist, whether employers recognize foreign experience, and whether appropriate employment opportunities are available in the target region.

The broader implication is that the effectiveness of skilled immigration is ultimately a systems problem. Canada's experience shows that immigration policy can successfully increase the supply of highly educated and experienced workers, but the economic return from that investment depends on the institutions that receive, recognize, match and retain those workers. The key policy challenge is therefore not simply to make immigration selection more accurate, but to reduce the gap between selection and utilization. A coordinated system in which immigration policy is aligned with professional regulation, credential recognition, labour-market information, education and training, employer practices and regional development would be more capable of converting immigrant human capital into actual labour-market contributions. In this sense, Canada's experience suggests that the next stage of skilled immigration policy should be judged less by the sophistication of its admission criteria and more by the extent to which immigrants selected for their skills are ultimately able to use those skills where the Canadian economy needs them most.

VII. RECOMMENDATIONS AND CONCLUSION

Canada’s experience provides useful lessons for developing countries seeking to attract high-skilled migrants, but these lessons should not be interpreted as a blueprint that can simply be replicated. Canada operates within a high-income institutional environment characterized by relatively developed labour-market institutions, established professional regulatory systems, extensive immigration infrastructure and substantial public resources for settlement and integration. Developing countries may face very different constraints, including weaker labour-market information systems, limited administrative capacity, less developed professional regulation and stronger fiscal constraints. The relevant question is therefore not whether developing countries should copy Canadian policies, but which underlying principles of Canada’s experience are transferable and

under what institutional conditions. From this perspective, five lessons are particularly important: aligning selection with labour-market demand, building integration institutions, using targeted and flexible selection, prioritizing retention alongside attraction, and strengthening institutional capacity before substantially expanding high-skilled immigration.

The first lesson is that high-skilled immigration policy should be closely connected to actual and anticipated labour-market demand. Rather than treating educational attainment or general professional status as sufficient indicators of economic value, developing countries should identify shortage occupations, emerging skills, sectoral requirements and regional labour-market needs before establishing selection criteria. Canada's experience illustrates the value of this principle. The Canadian immigration system has progressively incorporated labour-market considerations into economic immigration through mechanisms such as Express Entry, Provincial Nominee Programs and, more recently, category-based selection. These mechanisms allow the government to give greater weight to characteristics associated with specific economic or labour-market priorities rather than relying exclusively on general human-capital characteristics. Research on the Provincial Nominee Program, for example, shows that its expansion was associated with greater geographical diversification of economic immigrants across Canada, reflecting attempts to respond to differences in provincial labour-market needs.

For developing countries, however, the transferable lesson is the principle of alignment rather than the institutional design itself. A country with a very different economic structure may not benefit from reproducing Canada's CRS points system or PNP framework. Instead, governments need reliable labour-market information capable of identifying where shortages exist and, equally importantly, where future demand is likely to emerge. This is particularly relevant in economies undergoing structural transformation, where demand for digital skills, engineering, healthcare, renewable energy or advanced manufacturing may change more rapidly than conventional occupational classifications. Selection systems should therefore be sufficiently responsive to changing economic conditions. In this sense, immigration selection should be understood as part of broader workforce planning rather than as an isolated population policy. The lesson also implies that national labour demand and regional labour demand should be distinguished. A country may have an overall shortage of skilled workers while simultaneously experiencing concentration of migrants in a few major cities where employment competition, housing costs or infrastructure pressures are already high. Canada's experience with provincial selection demonstrates the potential value of incorporating geographical considerations into immigration policy. Developing countries could therefore consider mechanisms that encourage skilled migrants to settle in regions or sectors experiencing persistent shortages. However, such policies should account for migrants' long-term employment prospects and quality of life rather than simply directing people to locations where vacancies exist at the time of admission.

The second and arguably most important lesson is that the ability to attract skilled migrants must be matched by the institutional capacity to utilize their skills. Canada's experience demonstrates that selecting highly educated migrants does not automatically produce high-skilled employment. Foreign credentials may require assessment, regulated occupations may require licensing, employers may demand local experience, and immigrants may need occupation-specific language and employment support. Recent Canadian evidence shows that foreign qualification recognition remains incomplete for a substantial proportion of immigrants seeking to practise regulated occupations, while lack of Canadian work experience and limited professional networks continue to create difficulties in accessing employment. This suggests that immigration selection generates economic value only when receiving institutions can translate migrants' human capital into productive employment.

This lesson is particularly relevant for developing countries because the absence of integration institutions can substantially reduce the returns from skilled immigration. A government may succeed in attracting doctors, engineers, scientists, managers or technology professionals, but if professional qualifications are difficult to recognize, licensing procedures are unclear, job-matching mechanisms are weak and employers have limited information about foreign credentials, skilled migrants may remain underemployed. Governments should therefore consider developing credential-recognition mechanisms, professional licensing systems, language and communication training, job-matching services, career support and employer-engagement mechanisms alongside immigration programmes. These institutions do not necessarily have to replicate Canada's relatively complex administrative structures. The transferable principle is that selection capacity and utilization capacity must develop together. This also changes how the success of skilled immigration should be measured. Counting the number of high-skilled migrants admitted is an input indicator, not an outcome indicator. A more meaningful evaluation would examine employment rates, occupational matching, earnings, time to first professional employment, licensing outcomes and retention. Canada's evidence on occupational mismatch is particularly instructive: highly educated immigrants who work outside their intended occupations can experience significant earnings penalties. For developing countries with more limited public resources, preventing this type of skills underutilization may be more important than simply maximizing the number of skilled migrants attracted. The core lesson is therefore that integration institutions are not supplementary services added after immigration policy; they are part of the economic infrastructure that makes skilled immigration effective.

The third lesson is the potential value of targeted but flexible immigration selection. Canada's experience with Express Entry, the Provincial Nominee Program and category-based selection demonstrates that governments can move beyond a single general selection mechanism and give greater priority to particular occupations, skills, language capabilities or regional needs. Category-based selection, for example, enables Canada to invite candidates who possess characteristics associated with identified economic priorities, while the PNP gives provinces greater influence over selection according to their particular labour-market conditions. For developing countries, the broader lesson is that immigration systems can become more responsive when selection criteria are capable of reflecting changing economic priorities.

However, developing countries should avoid treating these Canadian mechanisms as policy templates. The effectiveness of targeted selection depends on the structure of the receiving labour market. Canada has a relatively diversified economy, substantial regional variation and established institutions capable of administering complex selection mechanisms. A developing country may have a smaller formal labour market, greater informality, weaker occupational classification systems or less reliable information about future skill requirements. Directly importing a sophisticated points-based or category-based system could therefore create administrative complexity without improving selection accuracy. A more transferable approach would be to develop simple, evidence-based and adjustable selection criteria that can be periodically revised as labour-market conditions change. Governments could initially focus on a limited number of clearly identified shortage sectors and gradually expand the system as labour-market information and administrative capacity improve. This would also reduce the risk of locking immigration policy into occupations that are temporarily scarce but may become oversupplied later. Flexibility is particularly important because immigration selection inevitably operates under uncertainty: governments are attempting to predict future labour demand, not merely respond to today's vacancies. The Canadian experience therefore suggests that targeted selection is most useful when it is combined with continuous labour-market monitoring and policy adjustment, rather than treated as a permanent list of priority occupations.

The fourth lesson is that the economic value of high-skilled immigration depends not only on attracting talent but also on retaining it. The relevant policy sequence should therefore be understood as *attract - integrate - retain*, rather than *simply attract to admit*. This is particularly important because the costs of recruiting and integrating skilled migrants are unlikely to generate sustained economic benefits if migrants subsequently leave the country or move away from the regions where their skills are most needed. Canada's experience with the Provincial Nominee Program demonstrates that retention varies across provinces and that attracting immigrants to a particular region does not automatically guarantee long-term settlement there. Research examining provincial retention has found substantial differences in the proportion of provincial nominees remaining in their province of landing over time.

For developing countries, retention may be an even more important challenge because high-skilled migrants can have access to international labour markets and may be able to relocate relatively easily when employment conditions, wages, infrastructure or professional opportunities are more attractive elsewhere. Consequently, immigration policy needs to consider the factors that influence migrants' willingness to remain, including career progression, professional recognition, remuneration, family opportunities, education, housing, public services and social inclusion. Merely granting entry to highly skilled workers does not create a durable contribution if the domestic labour market cannot provide conditions under which they can build long-term careers. Retention also needs to be considered alongside the brain drain–brain circulation debate. For developing countries, attracting foreign or returning skilled workers can generate benefits through knowledge transfer, entrepreneurship, innovation and international networks. At the same time, aggressive recruitment strategies can contribute to shortages in other developing countries, particularly in globally mobile professions such as healthcare. The objective should therefore not be to maximize the permanent inflow of talent regardless of origin, but to develop mechanisms through which international mobility can produce brain circulation and knowledge transfer rather than simply redistributing scarce human capital from poorer to richer countries. This suggests that retention policy should be connected to broader domestic capacity-building: migrants are more likely to remain and contribute when the domestic economy provides credible opportunities for professional development and when their expertise can be effectively utilized.

The final lesson is perhaps the most critical for developing countries: immigration policy should not expand faster than the institutional capacity required to integrate immigrants effectively. Canada's recent experience demonstrates the importance of absorptive capacity. Even within a comparatively well-developed institutional environment, problems involving credential recognition, professional licensing, occupational matching, settlement and regional retention can limit the labour-market contribution of skilled immigrants. For countries with weaker administrative and labour-market institutions, scaling up high-skilled immigration without addressing these constraints could produce substantial underutilization rather than additional productive capacity.

Institutional capacity in this context is multidimensional. It includes the capacity to identify labour-market needs through reliable labour-market information; assess and recognize foreign qualifications; regulate professional occupations; provide language and integration services; connect migrants with employers; support geographical mobility where appropriate; and monitor employment and retention outcomes. It also includes the broader absorptive capacity of the economy, including housing, infrastructure, healthcare, education and access to professional opportunities. If these systems are unable to accommodate additional skilled workers, increasing immigration volumes may generate congestion and weaken both migrant outcomes and public support for immigration. This does not imply that developing countries must first achieve Canadian-level institutional capacity before accepting skilled migrants. Rather, the implication is that the scale and design of immigration should be calibrated to existing institutional capacity and expanded progressively as that capacity improves. Governments could begin with smaller, targeted admission streams in sectors where labour-market information and professional regulation are relatively strong, while simultaneously investing in recognition, licensing and employment institutions. As administrative capacity improves, the programme could be expanded. Such sequencing would reduce the risk of creating a gap between the number of skilled migrants admitted and the economy's ability to employ them effectively. The broader principle is that immigration policy should be treated as an institution-building exercise as well as a recruitment strategy. A country that can attract skilled workers but cannot recognize their qualifications, connect them with employers or retain them is unlikely to capture the full economic benefits of immigration. Conversely, strengthening these institutions can generate benefits beyond immigration itself by improving labour-market information, professional regulation, skills matching and workforce planning for both migrants and domestic workers. Canada's experience therefore suggests that absorptive capacity is not a secondary consideration but a precondition for scaling high-skilled immigration sustainably.

This study also contributes to the application of Human Capital Theory to high-skilled immigration by demonstrating that the economic value of immigrant human capital depends not only on the skills individuals possess, but also on the institutional conditions that allow those skills to be recognized and utilized. Becker (1964) conceptualizes education, skills and knowledge as forms of human capital that increase an individual's productive capacity and economic returns. From this perspective, Canada's selection of highly educated immigrants, experienced professionals and individuals with strong language proficiency can be understood as an attempt to attract and accumulate productive human capital. However, the findings of this study suggest that human capital is not automatically transferable across national labour markets. Foreign credentials, work experience and professional skills may lose part of their economic value when they encounter barriers such as credential-recognition requirements, licensing systems, employer preferences for Canadian experience and occupational mismatch. The study therefore extends the application of Human Capital Theory by highlighting the importance of institutional convertibility: the economic return to migrant human capital depends not only on the quantity and quality of skills brought by immigrants, but also on the receiving society's capacity to recognize, match and utilize those skills. In this sense, the Canadian case suggests that human capital should be understood as operating within an institutional environment rather than as an individually possessed resource whose economic value remains constant across contexts.

Although the study use the subjectivist inductive approach to investigate the situation of immigration policies and high-skilled labour shortages in Canada, it still remains several limitations. Firstly, its analysis relies primarily on existing literature, government data and policy evidence, meaning that it cannot establish causal relationships between individual immigration policies and long-term labour-market outcomes with the same strength as a longitudinal or experimental research design. Secondly, the Canadian case is highly heterogeneous across occupations, provinces, immigration categories and immigrant cohorts, so national-level findings may conceal substantial differences between groups. Thirdly, the study focuses primarily on labour-market integration and therefore gives less attention to other dimensions of immigrant integration, including social inclusion, family outcomes and subjective well-being. Future research could address these limitations through longitudinal microdata and comparative research across countries. In particular, future studies could examine whether targeted immigration selection actually improves occupational matching and retention over time, rather than merely increasing the admission of workers in priority occupations. Comparative research could also investigate how the relationship between immigration selection and labour-market utilization varies according to institutional capacity, allowing researchers to identify which aspects of Canada's experience are genuinely transferable to developing-country contexts.

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