

# **Skills Research Initiative Initiative de recherche sur les compétences**

## **Canadian Business Perspectives on the International Mobility of Skilled Labour**

Sandra Lopes (Public Policy Forum)  
Under the supervision of Peter Larson (Public Policy Forum)

Working Paper 2004 D-03

---

Human Resources Development Canada/Développement des ressources humaines du Canada  
Industry Canada/Industrie Canada  
Social Sciences and Humanities Research Council/Conseil de recherches en sciences humaines du Canada

---

**Working Paper Series / Collection Documents de travail**



Government  
of Canada

Gouvernement  
du Canada

Canada

In the context of the federal government's innovation strategy, Human Resources Development Canada (HRDC), Industry Canada (IC) and the Social Sciences and Humanities Research Council Initiative on the New Economy (SSHRC-INE) are partnering to design and fund a multi-year skill-related research program—the HRDC-IC-SSHRC Skills Research Initiative (HISSRI). The research is grouped into four themes:

- A. Labour Market and Skills Implications of Population Aging;
- B. Employer-Supported Training;
- C. Adjustments in Markets for Skilled Workers;
- D. International Mobility of Skilled Workers.

The HISSRI Working Paper Series provides a forum for the discussion of analytical issues related to the themes covered under the research partnership. Working Papers are circulated in the language in which they were written. The papers reflect the views of the authors and no responsibility for them should be attributed to HRDC, IC or the SSHRC. Comments on the papers are invited and may be sent directly to the authors.

Dans le cadre de la stratégie d'innovation du gouvernement fédéral, Développement des ressources humaines du Canada (DRHC), Industrie Canada (IC) et l'Initiative de la nouvelle économie du Conseil de recherches en sciences humaines (INE-CRSH) se sont associés pour concevoir et financer un programme pluriannuel de recherches sur les compétences, appelé Initiative de recherche sur les compétences de DRHC-IC-CRSH. Ce programme comprend quatre grands thèmes :

- A. les incidences du vieillissement de la population sur le marché du travail et la main-d'oeuvre spécialisée;
- B. la formation en entreprise;
- C. l'adaptation du marché du travail aux travailleurs spécialisés;
- D. la mobilité des travailleurs spécialisés dans le monde.

La collection Documents de travail de l'Initiative de recherche servira de tribune où seront abordées plusieurs questions analytiques liées aux thèmes susmentionnés. Les documents de travail sont diffusés dans la langue dans laquelle ils ont été écrits. Les opinions qui y sont exprimées sont celles des auteurs et n'engagent pas DRHC, IC ou le CRSH. Le lecteur est prié de faire part de ses commentaires aux auteurs.

# **Skills Research Initiative Initiative de recherche sur les compétences**

## **Canadian Business Perspectives on the International Mobility of Skilled Labour**

Sandra Lopes (Public Policy Forum)  
Under the supervision of Peter Larson (Public Policy Forum)

Working Paper 2004 D-03

---

Human Resources Development Canada/Développement des ressources humaines du Canada  
Industry Canada/Industrie Canada  
Social Sciences and Humanities Research Council/Conseil de recherches en sciences humaines du Canada

---

To obtain paper copies of the documents published under the HRDC-IC-SSHRC Skills Research Initiative, please contact:

Publications Officer  
Micro-Economic Policy and Analysis  
Industry Canada  
10<sup>th</sup> Floor, East Tower  
235 Queen St.  
Ottawa, Ontario K1A 0H5

Tel.: (613) 952-5705; Fax.: (613) 991-1261  
E-mail: [mepa.apme@ic.gc.ca](mailto:mepa.apme@ic.gc.ca)

Pour obtenir des exemplaires des documents publiés dans le cadre du Programme de recherches sur les compétences de DRHC-IC-CRSH, il suffit de s'adresser à :

Agents des publications  
Analyse de la politique micro-économique  
Industrie Canada  
10<sup>e</sup> étages, tour Est  
235, rue Queen  
Ottawa (Ontario) K1A 0H5

Tél.: (613) 952-5705; Fax.: (613) 991-1261  
Courriel: [mepa.apme@ic.gc.ca](mailto:mepa.apme@ic.gc.ca)

\*An earlier version of this paper was presented at an HRSDC-IC-SSHRC workshop on Mobility of Skilled Labour, February 27, 2004.

The author gratefully acknowledges the financial support of Industry Canada and thanks Dr. Thitima Songsakul, Dr. Surendra Gera and Richard Roy at Industry Canada, for their thoughtful comments and suggestions on this report.

This paper was also published by the Public Policy Forum and is available at:  
[www.ppforum.ca](http://www.ppforum.ca).

## **Abstract**

This study presents the views of more than 20 Canadian businesses and industry associations on international labour mobility. In particular, it explores the importance of labour mobility to business; a company's motivation for moving personnel into and out of Canada; and the challenges to moving personnel into and out of Canada.

Companies that participated in this study move a very small percentage of their workforce across borders and these employees are likely to be managers, executives or employees with specialized skills. These companies move staff because they require a unique or specialized skill, need to transfer knowledge, or provide professional or personal development. The companies did not report significant obstacles to labour mobility. When they do face obstacles to moving people, the most significant obstacles are costs and spousal employment/family-related issues. Some companies also noted difficulties at the Canada-U.S. border as a result of new security concerns and procedures.

## **Résumé**

Cette étude présente les opinions de plus de 20 associations professionnelles et industrielles sur la mobilité de la main-d'œuvre à l'échelle internationale. On s'y penche en particulier sur l'importance de la mobilité de la main-d'œuvre pour le commerce, sur les raisons pour lesquelles une compagnie peut souhaiter faire entrer et sortir du personnel du Canada et sur les difficultés rencontrées pour ce faire.

Les entreprises qui ont participé à cette étude mutent un très petit pourcentage de leur main-d'œuvre d'un pays à l'autre. Lorsqu'elles le font, il s'agit le plus souvent de gestionnaires, de directeurs ou d'employés spécialisés et c'est parce qu'elles ont besoin d'une compétence spécifique ou rare, qu'elles doivent transférer un savoir ou qu'elles veulent permettre aux employés en question de se perfectionner sur le plan professionnel ou personnel. Les entreprises ont dit ne pas avoir rencontré d'obstacles majeurs à la mobilité de la main-d'œuvre. Les obstacles rencontrés sont principalement associés aux coûts, à l'emploi du conjoint ou de la conjointe et à la famille. Certaines entreprises ont également mentionné des difficultés à la frontière entre le Canada et les États-Unis à cause des nouvelles procédures et inquiétudes en matière de sécurité.



## Table of Contents

Introduction.....	5
Context.....	5
Research on the Role of the Employer in International Labour Mobility .....	7
The Public Policy Forum's Study .....	9
Findings.....	10
How many people do companies move into and out of Canada? .....	10
Which people are companies moving across borders? .....	10
Are companies moving employees for short- or long-term assignments?.....	11
Are companies more likely to move people into or out of Canada?.....	11
Why do companies move or recruit people to Canada? .....	12
What obstacles do companies encounter when moving people across borders? .....	14
What recent trends affect international labour mobility? .....	17
What do companies want the government to do to improve labour mobility? .....	18
Conclusions.....	19
Annex 1 – Interview Respondents .....	20
Annex 2 – Interview Guide.....	23





## Canadian Business Perspectives on the International Mobility of Skilled Labour

### Introduction

#### *Context*

Goods, services and capital now flow across borders more easily than at any time in the past. There has been a surge in regional trade agreements since the early 1990s, with over 170 regional trade agreements now in force among World Trade Organization members. Arguably the most important of these for Canada is the North American Free Trade Agreement (NAFTA), which has created the largest free trade area in the world. It has led to a two-fold increase in trade between Mexico, Canada and the United States. Foreign direct investment by other NAFTA partners in the three countries more than doubled, reaching US\$299.2 billion in 2000.<sup>1</sup>

However, as the Governor of the Bank of Canada pointed out in a recent speech, labour does not move as freely into and out of Canada as products and capital,<sup>2</sup> despite the fact that since the 1980s Canada has entered into several bilateral and multilateral agreements that deal explicitly with the movement of labour.<sup>3</sup> Even with Canada's most significant trading partner, the United States, there are immigration regulations and licensing laws that impede labour mobility.<sup>4</sup>

According to a 2002 International Labour Organization paper, this is a global phenomenon. Despite a substantial recent increase in trade, migration has only increased slightly as a percentage of the world's population.<sup>5</sup> This is surprising because in the past, periods of increased regional and global integration have led to sharp increases in labour mobility.

This period of globalization appears to be characterized instead by an increase in the movement of a subset of global migrants: skilled labourers. The rising intensity of production in all industries, especially in manufacturing and services, has led to a growing premium being paid to these workers. Business and governments are competing for highly skilled labour in a global market. In response to the demand for their skills, workers themselves are increasingly mobile — willing to move internationally and

---

<sup>1</sup> Canada. Department of Foreign Affairs and International Trade, *NAFTA: A Decade of Strengthening a Dynamic Relationship*. Available at: <http://www.dfait-maeci.gc.ca/nafta-alena/nafta10-en.asp>

<sup>2</sup> David Dodge, "Economic Integration in North America." Speech at the Couchiching Institute on Public Affairs. Geneva Park, ON. August 7, 2003.

<sup>3</sup> For example, the Global Agreement on Trade in Services (GATS); NAFTA, Chapter 16; North American Agreement on Labour Cooperation (NAALC); Canada-Chile Agreement on Labour Cooperation; and Canada-Costa Rica Agreement on Labour Cooperation.

<sup>4</sup> David Dodge, "Economic Integration in North America."

<sup>5</sup> See: Ajit K. Ghose, *Trade and International Labour Mobility, 2002/2003 Employment Paper*. Available at: <http://www.ilo.org/public/english/employment/strat/download/ep33.pdf>

recognizing international assignments as an important part of their professional development.

Gera, Laryea and Songsakul (2004) document four types of skilled labour migration which are increasing. These are:

- ‘traditional’ permanent migration—skilled individuals move on a permanent basis from one country to another;
- temporary skilled migrants—such as admissions to the U.S. based on H-1B visa and TN visa;
- intra-company transferees generally associated with [multinational enterprises] (MNEs); and
- temporary visiting foreign scholars and researchers.”<sup>6</sup>

Researchers and policy makers who are trying to understand the increased mobility of skilled migrants are often categorized into one of two perspectives. Proponents of the ‘brain drain’ perspective describe mobility as a zero-sum phenomenon, where sending countries lose talented individuals and the economic benefits that could be derived from them, at the expense of receiving countries. They emphasize that skilled migration occurs most frequently from developing to developed countries or from smaller economies to larger ones and suggest that skilled migration can lead to a growing disparity between richer and poorer countries. In contrast, proponents of the ‘brain circulation’ perspective regard skilled migration as a potentially mutually beneficial phenomenon for both sending and receiving countries. They emphasize that skilled migrants often move for short periods of time and countries can capture economic benefits from return migrants because of the diffusion of knowledge and the development of international networks.

Canada provides an interesting case study to explore the brain drain/brain circulation debate because it is both a sending and receiving country. Each year a growing number of Canadians temporarily or permanently leave for the United States. However, Canada also receives skilled immigrants from around the world. In 2002, Canada received 123,357 immigrants under the ‘skilled worker’ category.<sup>7</sup>

Given this inflow and outflow of skilled migrants, Industry Canada and Human Resources and Skills Development Canada (HRSDC) are currently trying to understand:

- What is the magnitude and direction of labour mobility?
- How can we measure mobility into and out of Canada?
- What are the drivers of worker mobility?
- What net impact does mobility have on Canada?

---

<sup>6</sup> Surrendra Gera, Samuel A. Laryea and Thitima Songsakul, *International Mobility of Skilled Labour: Analytical and Empirical Issues, and Research Priorities*. Prepared for Expert Roundtable on International Mobility of Skilled Labour. Industry Canada. February 27, 2004. p. 6.

<sup>7</sup> Canada. Citizenship and Immigration Canada, *Facts and Figures*, (2002). Available at: [http://www.cic.gc.ca/english/pub/facts2002/immigration/immigration\\_3.html](http://www.cic.gc.ca/english/pub/facts2002/immigration/immigration_3.html)

- What are the barriers to labour mobility?
- Would facilitating international labour mobility bring economic benefits to Canada?

On February 27, 2004, Industry Canada, HRSDC and the Social Sciences and Humanities Research Council (SSHRC) held a workshop to identify a research agenda that could answer these questions. Many participants were concerned about the lack of coherent and internationally comparative data on the movement of highly skilled people.<sup>8</sup> Participants also noted that any data collected should include observations by sector and occupation, and for long-term and short-term relocations.

Participants agreed that the primary reason for increased labour mobility to the U.S. is the decision made by the migrant. Employers and other actors are less likely to be the reason for skilled migration across the border. Still, it was acknowledged that future research should consider other factors, including absorptive capacity of the labour market; social capital and networks; and inputs of production including trade (especially in services), technology, foreign direct investment and research and development.

Although mobility flows are small, participants agreed that the potential net impacts of skilled migration on innovation and the economy could be significant. In order to better understand this link participants suggested that the relationship between the movement of highly skilled people and foreign direct investment, research and development and the transfer of knowledge should be explored.

This research provides some insight into the research issues identified at the roundtable. In particular, it presents the views of Canadian business on the drivers and barriers to international migration and the extent to which international mobility is complemented or affected by technological change and research and development.

### *Research on the Role of the Employer in International Labour Mobility*

A few recent studies have explored international labour mobility from the perspective of the employer. Two studies are particularly relevant.

A study by PricewaterhouseCoopers<sup>9</sup> in 2002 surveyed 400 businesses in eight European countries; 10,000 individuals in ten European countries; and conducted a series of case studies on 25 multinational corporations. This project aimed to better understand the employer's perspective on the role and impact of labour mobility on business and the extent to which the needs of the employer matched the interests of individuals. It found that employers are motivated to move personnel in order to:

---

<sup>8</sup> The definition of "highly skilled worker" often varies from country to country and only relates to the principal applicant, excluding spouses or dependents. For an analysis of the challenges in data definition, please see: Auriol and Sexton, *Human Resources In Science and Technology: Measurement Issues and International Mobility*, (2002) OECD.

<sup>9</sup> PricewaterhouseCoopers, *Managing Mobility Matters – a European Perspective*. (2002). Available at: [http://www.pwcglobal.com/ie/eng/ins-sol/spec-int/globalhr/pwc\\_mobilityfeb02.pdf](http://www.pwcglobal.com/ie/eng/ins-sol/spec-int/globalhr/pwc_mobilityfeb02.pdf)

- support global integration and management of the business;
- develop the business in new or difficult local markets;
- support the transfer of skills through the business to locally engaged staff;
- reduce the overall costs of the business;
- provide personal development opportunities for employees and thus help to retain these employees; and
- access talent which might not otherwise be accessible.<sup>10</sup>

PricewaterhouseCoopers found the key policy-related barriers to mobility (in descending order of importance) are:

- the lack of integrated European-wide employment legislation;
- differences in tax systems between Member States;
- the lack of language skills [public policy could have a bearing on this barrier through the education system and training programs];
- differences in benefit systems between Member States;
- immigration issues;
- differences in pension systems between Member States;
- the lack of mutual recognition of professional qualifications; and
- the availability of information on international employment opportunities.<sup>11</sup>

Many of these obstacles added to the cost of business and were seen to negatively affect international competitiveness.

Another study, a survey<sup>12</sup> conducted by Industry Canada from September 2002 to January 2003 of 58 information and technology companies, sought to assess the extent to which companies need to hire highly qualified professionals and whether they recruit internationally to fill these positions. This study found that despite the recent economic downturn in the sector and the high quality of Canadian university graduates, information technology companies continue to hire internationally. Most do this to fill positions that require very unique skills that cannot be found in the local market. Over half of the respondents to this survey described the immigration process as a significant obstacle to recruiting people because it is slow and complicated.

---

<sup>10</sup> Ibid., p.31.

<sup>11</sup> Ibid., p.22.

<sup>12</sup> Felix Berezovsky and Ohannes Keuylian, *Survey of ICT Companies – Hiring Practices of Foreign HQP*, (April 2003).

### *The Public Policy Forum's Study*

The Public Policy Forum's study departs from previous employers studies because it seeks exclusively to represent the views of executives on the issue of international labour mobility. In particular, it seeks to explore:

- the importance of labour mobility to business;
- a company's motivation for moving personnel into and out of Canada; and
- the challenges to moving personnel into and out of Canada.

In January and February 2004 almost 50 employers and industry associations were asked to participate in a 20-minute telephone interview. Nineteen companies and three industry associations agreed to participate.

The reasons non-respondents gave for not participating are worth noting. Many companies did not participate in this research because they felt either that the number of people they move across borders is too small to be relevant, or that they would not have anything to contribute to the research because mobility is not an important issue for their company.

Many industry associations were even more reluctant than companies to respond because they are not aware of any problems with mobility.<sup>13</sup> As a result, this research is biased toward those companies and industry associations that move relatively large numbers of people across borders or who view this issue as critical. Still, even with this group, labour mobility does not appear to be a top-of-mind issue.

Please see Annex 1 for a list of participating organizations. As you will note, the interviewees represent a variety of sectors including the financial, pharmaceutical, manufacturing, information technology, transportation, food processing, and education sectors. Together, we estimate that these companies and associations employ almost a million people. Some of the companies are subsidiaries of larger American companies, others are Canadian companies with branch offices across the country and/or across North America. Both service and goods-producing companies were interviewed and all of the respondents are located in Canada.

Respondents were asked to:

- estimate how many people they move into and out of Canada in an average year;
- consider the motivations for moving people into and out of Canada;
- consider the obstacles they face when moving people into and out of Canada; and
- discuss emerging trends in international labour mobility.

---

<sup>13</sup> For example, one association that represents 70 members in the insurance sector and collectively represents approximately 100,000 employees, said that it had not collected any information on international labour mobility. This respondent said that only two of its members would move a significant number of people across borders.

Although a standardized interview guide (see Annex 2) was sent to participants prior to the telephone interview, the discussion was kept informal and respondents were encouraged to elaborate or explain their answers. In some cases, the questions were adjusted to accommodate a company or industry association's structure or economic circumstance. For this reason, and given the small number of respondents in our survey, the following findings cannot conclusively represent the interests and opinions of all business in Canada.

## **Findings**

### *How many people do companies move into and out of Canada?*

Respondents were asked to estimate the percentage of their workforce that they move across borders through recruitment or intra-company transfers in an average year. All of the companies move less than 3% of their total workforce. Most move significantly less than 1% into and/or out of Canada in an average year. For example, to briefly describe a typical response, one financial institution which employs 70,000 people worldwide, 50,000 of those in Canada, said that last year the company moved only 4 people to Canada for short-term assignments and 29 for long-term assignments. They also moved 10 people from Canada to the U.S for short-term assignments and 44 for long-term assignments.

Only two companies indicated that they move more than 1% of their workforce across borders in an average year. One is a Canadian-based engineering company that moves between 1.5% and 2.5% of its workforce. The other company is in the information technology sector and has its headquarters in Canada. It employs 10,000 people in Canada and an additional 25,000 worldwide. In 2003 it moved between 2% and 3% of its total workforce worldwide. However, the number of people it has recruited or transferred across borders has been decreasing in recent years for several reasons. First, during the high tech boom in the late 1990s this company recruited heavily from other countries to Canada. Now, the Canadian labour market can satisfy most of its workforce needs and the company is working with educational institutions to ensure that this remains the case. Second, the most important reason for moving people out of Canada had been to train staff abroad. However, the company recently consolidated many of its overseas locations reducing the need for training. Third, the company is able to take advantage of new technologies such as video conferencing which allow training to occur without relocation.

### *Which people are companies moving across borders?*

Most respondents indicated that they are more likely to move managers or executives and highly skilled professionals than other employees. Many companies, those in the financial service sector for example, only move managers or executives.

An interesting exception to this is a resource extraction company located in northern Alberta. It recruited engineers in South Africa because it had difficulty recruiting people

within Canada. This respondent said that its geographic location is an impediment to its recruitment within Canada.

*Are companies moving employees for short- or long-term assignments?*

Respondents are equally likely to move or recruit employees for short- and long-term assignments. ‘Short-term’ assignments were defined as any assignment requiring some relocation for less than six months. ‘Long-term’ assignments were defined as any assignment longer than six months, including permanent relocations.

It is likely that short-term assignments are underrepresented in the responses because many very short-term assignments—going to the US for a meeting or a few days of training for example—would not go through a centralized human resources department.<sup>14</sup> Still, some interviewees did make observations about this type of mobility. One manufacturing company said that 20 employees located in Canada, and 30 in the U.S regularly cross the border for two or three days because they have a specialized skill. These people travel as part of their job. According to this respondent, the border is “irrelevant” because the company has its service staff on one side of the border and its manufacturing staff on the other. Sometimes it moves 12 to 20 people at a time to install equipment or sends a team across the border temporarily to negotiate a deal.

For many companies, longer assignments are risky because of employees’ tendencies to ‘establish roots’ in a community. After longer assignments, some employees want to stay in the destination country. If the company is not able to give the employee an appropriate permanent position, it could lose him or her to a competitor.

*Are companies more likely to move people into or out of Canada?*

Given the small number of respondents to this study, we are not able to make conclusions about whether companies are more likely to move people into or out of Canada. Some companies only recruit to Canada, other companies are more likely to move people to the U.S.

However, a 2000 Public Policy Forum study entitled, *Background Report: The Views of Canadian Industry and Business Associations on Canada-United States Economic Integration*, can provide insight into this question. The 60 industry and business associations interviewed for this study were not asked exclusively about the migration of skilled workers but did make many observations about its nature and importance. Leaders in all industries, even those traditionally dubbed the “old economy,” said that skilled workers are an important resource to their company and that they are increasingly competing for workers with other companies. They said that skilled workers can have a

---

<sup>14</sup> To better understand this phenomenon a survey would need to contact each branch and operation within an organization. This was beyond the scope of this paper.

positive impact on the development of the Canadian economy in both the short- and long-term by promoting innovation.

However, respondents to this 2000 study also pointed out that the nature of the flow of migration between Canada and the U.S. depends on the structure of the company. If the company was founded in Canada it is more likely to have its headquarters and research and development activities in Canada and thus would be more likely to recruit from the U.S. or retain highly-skilled Canadian employees. Companies that are subsidiaries of American companies would often attract highly skilled people from Canada to their headquarters or to research and development facilities in the U.S. Respondents felt that decisions made in the U.S. would be unlikely to take Canadian economic needs or Canada's economic context into consideration.

### *Why do companies move or recruit people to Canada?*

Through our interviews we probed some of the reasons why companies would move people across borders. We asked respondents to think first about the motivations for moving people to Canada, and then about the motivations for moving people out of the country. The following highlights (in order) these reasons:

#### **Motivations for Bringing People to Canada**

- 1. Require unique or specialized skills**
- 2. Provide professional or personal development**
- 3. Transfer knowledge or skills to local staff**
4. Manage foreign operations
5. Integrate a newly acquired asset
6. Seek or affect an acquisition
7. Provide services
8. Support research and development
9. Support the sale of goods
10. Faster to move people than to hire locally
11. Reduce costs

#### **Motivations for Moving People Out of Canada**

- 1. Require unique or specialized skills**
- 2. Transfer knowledge or skills to local staff**
- 3. Provide professional or personal development**
4. Manage foreign operations
5. Integrate a newly acquired asset
6. Provide services
7. Seek or affect an acquisition
8. Support the sale of goods
9. Faster to move people than to hire locally
10. Support research and development
11. Reduce costs

Most companies emphasized that they would always look to the local market first, before moving people. However, when moving people is necessary the most significant motivations are: *require unique or specialized skills*; *provide professional or personal development*; and *transfer knowledge or skills to local staff*. These are the most important reasons regardless of whether the company is moving people into or out of Canada.

The companies interviewed frequently move people across borders because they *require a unique or specialized skill*. For example, a financial institution that employs about 45,000 people worldwide had to temporarily relocate a customer relationship



management specialist from Australia because this individual was best suited to work on a database problem at a Canadian location.

To *provide professional and personal development* is another reason companies move people. A Canadian subsidiary of a company that provides business services in over 138 countries describes international assignments as a necessary aspect of any professional's career. This company wants to be a workplace that offers these opportunities. Another company, in the pharmaceutical industry, pointed out that Canada is often a useful training ground for Americans, because Canadian locations can expose Americans to the international organization without having significant language and cultural problems.

“Canada is a developmental ground for future leaders, to provide senior executives with the breadth and complexity of the global marketplace. Because we share the same language we get used to develop people from the U.S.”

Companies also move people to *transfer knowledge or skills to local staff*. A pharmaceutical company described a recent example of a unit that specializes in oncology, which had to be moved from Indianapolis to Canada to transfer very specialized knowledge for research purposes.

The top three reasons why companies move people are related. When companies move people across borders it is because of a unique or specialized skill. These people transfer skills to local staff and the assignment is often seen as an important part of their development as current or future executives.

“When you talk about moving the top talent, what you want is to give exposure to the larger organization. It is not necessarily because you lack those skills in Canada, but because you want to develop that person for the longer term—you anticipate a bigger role for them in the organization.”

*Cost* is the lowest ranked motivator for relocating or recruiting employees. Some respondents acknowledged that there are some overall efficiency gains to international mobility. However, as one company put it, companies are reevaluating the practice due to the high costs of relocating people:<sup>15</sup>

“There is not as much margin to play with. We can't afford it anymore. Also, companies are realizing that the premium is not returned in value. It is better to take risks with local staff or short-term training.”

---

<sup>15</sup> A few respondents also said that it was easier to move Canadians abroad than executives of other countries because of the lower wages paid to executives in this country.

*What obstacles do companies encounter when moving people across borders?*

After asking companies to think about why they move people, we asked them to consider what obstacles they encounter. The following are rank-ordered lists:

<p><b>Obstacles to Bringing People to Canada</b></p> <ol style="list-style-type: none"> <li>1. Costs</li> <li>2. Spousal Employment/Family-Related Issues</li> <li>3. Visas</li> <li>4. Accommodation/Social Services</li> <li>5. Employment Law</li> <li>6. Professional Accreditation</li> <li>7. Language Skills/Cultural Barriers</li> </ol>	<p><b>Obstacles to Moving People Out of Canada</b></p> <ol style="list-style-type: none"> <li>1. Costs</li> <li>2. Spousal Employment/Family-Related Issues</li> <li>3. Visas</li> <li>4. Professional Accreditation</li> <li>5. Language Skills/Cultural Barriers</li> <li>6. Employment Law</li> <li>7. Accommodation/Social Services</li> </ol>
--	--

These lists include all obstacles we asked respondents to consider, but most companies consider only *Costs* and *Spousal Employment/Family Related Issues*<sup>16</sup> to be important obstacles to labour mobility. Often before ranking the obstacles, companies would emphasize that they were ranking them comparatively to each other, and that overall their companies do not face significant obstacles to labour mobility.

The most significant cost-related obstacles include: employee compensation, the exchange rate and taxation.

Many respondents felt that foreign executives are paid significantly more than Canadian executives. Thus, it would cost much more to bring someone into Canada, than to hire locally. As one respondent described:

“They’ve got U.S or European salaries and when we show them Canadian wages they want to throw up. Even professionals in underdeveloped countries get paid more. We have the cheapest expatriates in the world – at least in the technology sector. Everywhere else the wages are in U.S. dollars.”

As this quote suggests, another related obstacle is the value of the Canadian dollar. Respondents said that the exchange rate makes it difficult to offer competitive salaries to Americans and others.

Taxation is an impediment to labour mobility when moving people from countries with lower taxation rates to countries with higher rates. To make the transfer attractive, the company must compensate the employee for the difference, increasing the cost of the transfer. Taxable benefits, for example accommodation allowances, also increase mobility costs.

<sup>16</sup> Although our survey asked only about spousal employment, most respondents highlighted other family issues as related and important obstacles to mobility.

*Spousal employment and family-related issues* are the second most emphasized obstacles.

Some of these issues are related to the characteristics of the destination. Companies said that it is important that spouses be legally entitled to work and that the destination country have a healthy labour market with sufficient employment opportunities.<sup>17</sup>

Other issues are related to the characteristics of the employee's family. Many companies noted that employees are unwilling to relocate when their children are in secondary school or in university. One company also noted that a growing number of its employees is unwilling to take international assignments because they need to care for their elderly parents.

Two respondents said that most of its expatriates are men because women find it more difficult to move their family. If international assignments really are an important part of professional development, and women are underrepresented in expatriate assignments, this could have consequences for women's professional development. According to a recent study entitled *Passport to Opportunity: US Women in Global Business*,<sup>18</sup> getting selected to do expatriate assignments is the largest hurdle for professional women because of employers' perception that women find it more difficult to balance work and family obligations.

Companies said that although *visas and other legal requirements*<sup>19</sup> could be an obstacle, they are a necessary hurdle, and overall they are not impediments to labour mobility.

However, a few companies mentioned difficulties caused by Citizenship and Immigration Canada's Permanent Resident Card. For example, one transportation company said:

"The Canadian card has been a huge issue. It caught people by surprise. I think we were the first company to hear about it [in October]. It caused anxiety for employees who were afraid they might not be able to see their families over the holidays and a panic for those who thought they might not be able to return to work. We scoured our offices for those people we had transferred or who identified as permanent residents when they were hired. We wrote communications, called people. It was an abysmal situation and was costly in terms of time. Mostly though, it was just inconvenient and got people upset. If it eventually streamlines the process [of international labour mobility] that would be great, but the way it was implemented was the stupidest thing I've heard in ages. If this message can ring in someone's ears, that would be great."

<sup>17</sup> For example, one company described the challenges they faced trying to move a same-sex couple to Australia because Australian laws do not recognize same-sex relationships.

<sup>18</sup> Catalyst, *Passport to Opportunity: US Women in Global Business Executive Summary*.(2000). Available at: [http://www.catalystwomen.org/publications/executive\\_summaries/goingglobalexe.pdf](http://www.catalystwomen.org/publications/executive_summaries/goingglobalexe.pdf)

<sup>19</sup> Only six respondents noted specific problems with Canadian immigration or provincial regulations.

Another legal requirement mentioned by respondents is the HRSDC Confirmation. This requirement is designed to ensure that Employment Authorizations for foreign workers are only granted by CIC if a company has demonstrated that they have tried to hire a Canadian for the position. It is also usually necessary that the company demonstrate the individual to be hired has a unique skill not easily found in Canada. This procedure, which is intended to protect the Canadian labour market, can take up to 4 weeks.<sup>20</sup>

A few companies mentioned that they sometimes need to hire people with international backgrounds even if their skills are not necessarily unique. A company also said this process is too time consuming and that their remote location should be taken into account.

One company also suggested that in some countries the rules and regulations are unclear and that inconsistent information is provided.

“This [Visa’s and Legal Requirements] can be a big problem because in some cases we have to get documents and these documents can take a long time. It can be very bureaucratic. For example, Belgium is a nightmare. We sent an employee there and he wasted so much time. The Embassy here said he needed one thing, their foreign workers department said he needed other documents which contradicted their own website.”

Most companies said they face no difficulties moving people to and from the U.S. No one cited problems with NAFTA, and one company said that NAFTA provisions make it easy to move people across the border. Those companies that do have difficulties with Visas and other legal requirements cited new requirements resulting from increased security concerns. Some companies have had recent problems moving foreign-born Canadians and Permanent Residents to the U.S. For example, one manufacturing company said one of their service people, who has dual Canadian-Syrian citizenship and was going to the U.S. for a few days got harassed at the U.S. border. The experience was so frustrating for the employee that he was reluctant to return to the U.S.

The long-term impact of these experiences may warrant further research. As Don DeVoretz and Diane Coulombe<sup>21</sup> describe in a 2003 paper on labour mobility between Canada and the U.S., the provisions which target landed immigrants and foreign-born Canadians as a result of the events of September 11 may have important consequences for the Canadian labour market. First, it may decrease the willingness of some Canadians to travel to the U.S. Second, Canadian companies may react to American differential treatment by withholding promotion or cross-border hiring. This could lead to a

---

<sup>20</sup> Cohen Campbell, *Employment Authorization*. Canada Immigration law firm. Available at: <http://canadavisa.com/documents/empcanada.htm>

<sup>21</sup> Don DeVoretz and Diane Coulombe, *Labour Mobility between Canada and the United States: Quo Vadis 2003?* RIIM, Second Draft, March 7, 2003.

segmented labour market and a two tiered wage rate – one for Canadian-born citizens and one for other Canadians.

Although most companies do not see *accreditation* as a major obstacle to labour mobility, two companies did highlight issues related to accreditation. The first company, a resource extraction company located in Northern Alberta, said there are immigrants they want to hire in the Canadian labour market, but they are not able to do so because of credential recognition problems. The second company, in information technology, described accreditation as such a significant obstacle to bringing people to Canada that it is one of the reasons the company decided to move some of their research and development activities abroad. In this case the country is Singapore, and as this company described, the qualifications acquired there are as good as those in Canada, but are often not recognized in this country.

*Language skills and cultural barriers* do not concern the companies we interviewed because they said that they would not seriously consider recruiting an applicant to Canada that did not speak English or French. They also noted that Canadians make good expatriates because they are culturally sensitive. Two companies with headquarters in Quebec were interviewed, but these companies did not raise the issue of whether it is difficult to recruit French speaking professionals.

*Accommodations and social services* are not perceived to be important obstacles to recruiting or transferring employees to Canada because of the level and quality of the services provided. However, one respondent said that what used to be an advantage to Canada for attracting international talent - our health care system - is now a disadvantage because people abroad are increasingly aware of the problems our health care system is facing. In particular, it was noted that American executives are not accustomed to waiting for medical services.

*Employment law* is only a significant issue for one company that noted that laws in some countries insist that a certain percentage of staff and management are locally born. This respondent felt however, that these requirements are often unclear and enforced at the whim of local authorities.

*What recent trends affect international labour mobility?*

Almost half of the companies interviewed said that international labour mobility is becoming more difficult. Most cited security concerns as the reason for this, and for the most part, they thought that the difficulties are a necessary and reasonable outcome of recent political developments. Some also noted the increase in dual income families and responsibility for elderly parents. Four thought that labour mobility is becoming easier.

Companies are divided as to whether technology has had a net impact on international labour mobility. Nine respondents said that technology has had no net impact on labour mobility. Another nine said that the need to move people abroad has increased because of new technologies. For example, a subsidiary of a delivery company said that the need to move people increases as the company's technologies develops because it sells older

technologies abroad and moves people to train local staff on them. Two companies said that technology decreases the need to move people. They cited technologies like video conferencing and teleconferencing that allow training to occur across borders without relocation.

*What do companies want the government to do to improve labour mobility?*

We asked companies what they would need the government to do to improve international labour mobility. Most companies had difficulty responding to this question because they did not face many obstacles when moving people. However, some companies said they would like the government to:

- continue providing readily accessible information on visas and legal requirements;
- ensure that visas and legal requirements continue to be simple and transparent;
- negotiate tax treaties with more countries so that the tax burden would be reduced; and
- give more flexibility to companies wishing to recruit internationally to acquire people with soft skills or to deal with localized job shortages.

## Conclusions

The conclusions that can be drawn from this study are limited by the small number of companies interviewed. However, our results are consistent with previous research on the topic and provide insight into the perspective of employers regarding international labour mobility. They also support the observations made by participants at the February 27, 2004 HRSDC-IC-SSHRC roundtable. In particular, given the low numbers of people that companies move across borders, this report supports the observation that the employer is not the primary driver of increased labour mobility to the U.S.

The companies interviewed by the Public Policy Forum for this study do not move or recruit large numbers of employees. When companies do move people, they move less than 1% of their workforce and these employees are likely to be managers, executives or employees with specialized skills.

The companies we interviewed were equally likely to move people for both short and long-term assignments. However, short-term assignments are likely underrepresented. More research into the particular motivations for and obstacles to this type of mobility would not only give a better picture of the significance of mobility from the perspective of the employer, but would also help policy makers to better understand the net effect of mobility on the Canadian economy.

The three most significant motivations for moving people into and out of Canada are: the requirement for unique or specialized skills, to transfer knowledge and to provide professional or personal development. The fact that these are the most significant motivations for business is important because it suggests that employers may have an important role to play in the transfer of knowledge between sending and receiving countries. It also suggests that Canada may be both a source of knowledge and specialized skills to countries around the world and be a benefactor of such knowledge.

Companies do not face significant obstacles to labour mobility. However, when companies do face obstacles to moving people, the most significant obstacles are costs and spousal employment/family-related issues. Some respondents indicated that American security concerns are making it more difficult to move people across borders. This may warrant future research, with a particular emphasis on security provisions at the Canada-U.S. border and their impact on Canadian business practices.

Some companies said that technology is increasing the need to move people because it increases the need to transfer knowledge across borders. For other companies, it is decreasing the need to move people because it facilitates training and the transfer of knowledge without relocation.

## BIBLIOGRAPHY

- Auriol and Sexton. *Human Resources In Science and Technology: Measurement Issues and International Mobility*, (2002) OECD.
- Berezovsky, Felix and Ohannes Keuylian. *Survey of ICT Companies – Hiring Practices of Foreign HQP*, (April 2003).
- Campbell, Cohen. *Employment Authorization*. Canada Immigration law firm. Available at: <http://canadavisa.com/documents/empcanada.htm>
- Canada. Department of Foreign Affairs and International Trade, *NAFTA: A Decade of Strengthening a Dynamic Relationship*. Available at: <http://www.dfait-maeci.gc.ca/nafta-alena/nafta10-en.asp>
- Canada. Citizenship and Immigration Canada, *Facts and Figures*, (2002). Available at: [http://www.cic.gc.ca/english/pub/facts2002/immigration/immigration\\_3.html](http://www.cic.gc.ca/english/pub/facts2002/immigration/immigration_3.html)
- Catalyst. *Passport to Opportunity: US Women in Global Business Executive Summary*. (2000). Available at: [http://www.catalystwomen.org/publications/executive\\_summaries/goingglobalexec.pdf](http://www.catalystwomen.org/publications/executive_summaries/goingglobalexec.pdf)
- DeVoretz, Don and Diane Coulombe. *Labour Mobility between Canada and the United States: Quo Vadis 2003?* RIIM, Second Draft, March 7, 2003.
- Dodge, David. “Economic Integration in North America.” Speech at the Couchiching Institute on Public Affairs. Geneva Park, ON. August 7, 2003.
- Gera, Surrendra, Samuel A, Laryea and Thitima Songsakul. *International Mobility of Skilled Labour: Analytical and Empirical Issues, and Research Priorities*. Prepared for Expert Roundtable on International Mobility of Skilled Labour. Industry Canada. February 27, 2004.
- Ghose, Ajit K. *Trade and International Labour Mobility, 2002/2003 Employment Paper*. Available at: <http://www.ilo.org/public/english/employment/strat/download/ep33.pdf>
- PricewaterhouseCoopers. *Managing Mobility Matters – a European Perspective*. (2002). Available at: [http://www.pwcglobal.com/ie/eng/ins-sol/spec-int/globalhr/pwc\\_mobilityfeb02.pdf](http://www.pwcglobal.com/ie/eng/ins-sol/spec-int/globalhr/pwc_mobilityfeb02.pdf)



**Annex 1 – Interview Respondents**

Pari Johnston  
Manager  
International Division Association of Universities and Colleges of Canada

Kurt Whitnell  
Vice President of Human Resources  
Bell Canada

Rhonda Turner  
Analyst, Human Resources  
Bombardier

Darlene Mulvihill  
Manager of Recruitment and Relocation, Canada Post International and former Officer of  
Human Resources at Canada Post  
Canada Post International

Robert Keyes  
Senior Vice President, International  
Canadian Chamber of Commerce

James Keon  
President  
Canadian Generic Pharmaceutical Association

Bob MacIntyre  
Assistant Vice President of Human Resources  
Canadian Pacific Railway

Don McCreesh  
Senior Vice President of Corporate Affairs  
Celestica

Rob Maingui  
Director of Human Resources CGI Europe  
CGI

Hazel Copp  
Vice President of Executive Resources  
CIBC

Karen McKay  
Vice President of Human Resources  
Eli Lilly Canada Incorporated

Bob Weese  
Vice President of Government and External Relations  
General Electric Canada Inc

Greg Buban  
Vice President of Human Resources  
Kraft Canada

Marie Nichols  
Assistant Vice President of Human Resources  
Manulife Financial

Jon Household  
Senior Vice President of Human Resources  
Nestle Canada Inc

Dale Pratt  
Director of Corporate Human Resources  
Nortel Networks Inc

Wayne McFarlane  
Human Capital Leader  
PricewaterhouseCoopers LLP

Anne Fithern  
Vice President of Compensation Management  
RBC Financial Group

Margaret Bly  
Vice President of Human Resources  
Suncor Energy Inc.

Tony Martino  
Vice President of Human Resources, Communications and Corporate Affairs  
Xerox Canada

Sheila O'Brien  
Senior Vice President of Human Resources, Public Affairs and Investor Relations  
NOVA Chemicals Corporations

Art Filip  
Vice President of Staffing  
TD Bank

## Annex 2 – Interview Guide

### LABOUR MOBILITY INTERVIEW GUIDE

Thank you for agreeing to share your impressions on the importance of international labour mobility to your company. Our interview will take no longer than 15 minutes. Exact figures will not be necessary, we are only interested in orders of magnitude.

#### HOW IMPORTANT IS INTERNATIONAL LABOUR MOBILITY TO YOUR COMPANY?

- 1) Please estimate the percentage of your total workforce that you brought *to* Canada in 2003 (through recruitment or intra-company transfer).

	Short-Term Assignment <i>less than 6 months</i>	Long-Term Assignment <i>more than 6 months</i>
Management or Executives	% or number	% or number
Other employees	% or number	% or number

- 2) Please estimate the percentage of your total workforce that you moved *out* of Canada to the *United States* in 2003 (through recruitment or intra-company transfer).

	Short-Term Assignment <i>less than 6 months</i>	Long-Term Assignment <i>more than 6 months</i>
Management or Executives	% or number	% or number
Other employees	% or number	% or number

- 3) Please estimate the percentage of your total workforce that you moved *out* of Canada to *other countries* (not including the U.S.) in 2003 (through recruitment or intra-company transfer).

	Short-Term Assignment <i>less than 6 months</i>	Long-Term Assignment <i>more than 6 months</i>
Management or Executives	% or number	% or number
Other employees	% or number	% or number

## WHY DO YOU MOVE PEOPLE ACROSS BORDERS?

- 4) How significant are the following motivations for bringing people *to* Canada (through recruitment or intra-company transfer)? Please circle.

	Not Very Significant			↔	Very Significant	
Motivations						
Require unique or specialized skills	N/A	1	2	3	4	5
Transfer knowledge or skills to local staff (eg: because of new technologies)	N/A	1	2	3	4	5
Faster to move people than to hire locally	N/A	1	2	3	4	5
Manage foreign operations	N/A	1	2	3	4	5
Provide professional or personal development	N/A	1	2	3	4	5
Seek or affect an acquisition	N/A	1	2	3	4	5
Integrate a newly acquired asset	N/A	1	2	3	4	5
Support the sale of goods	N/A	1	2	3	4	5
Provide services	N/A	1	2	3	4	5
Support research and development	N/A	1	2	3	4	5
Reduce costs	N/A	1	2	3	4	5

- 5) How significant are the following motivations for moving people *out* of Canada (through recruitment or intra-company transfer)? Please circle.

	Not Very Significant			↔	Very Significant	
Motivations						
Require unique or specialized skills	N/A	1	2	3	4	5
Transfer knowledge or skills to local staff (eg: because of new technologies)	N/A	1	2	3	4	5
Faster to move people than to hire locally	N/A	1	2	3	4	5
Manage foreign operations	N/A	1	2	3	4	5
Provide professional or personal development	N/A	1	2	3	4	5
Seek or affect an acquisition	N/A	1	2	3	4	5
Integrate a newly acquired asset	N/A	1	2	3	4	5
Support the sale of goods	N/A	1	2	3	4	5
Provide services	N/A	1	2	3	4	5
Support research and development	N/A	1	2	3	4	5
Reduce costs	N/A	1	2	3	4	5

## OBSTACLES TO THE MOVEMENT OF LABOUR

- 6) How significant are the following obstacles when deciding whether to bring people *to* Canada (through recruitment or intra-company transfer)? Please circle.

	Not Very Significant				↔	Very Significant	
Obstacles							
Visas and other legal requirements	N/A	1	2	3		4	5
Professional accreditation	N/A	1	2	3		4	5
Employment law	N/A	1	2	3		4	5
Language skills/cultural barriers	N/A	1	2	3		4	5
Costs (employee compensation, pension plan, taxation, benefits)	N/A	1	2	3		4	5
Accommodation/social services	N/A	1	2	3		4	5
Spousal employment	N/A	1	2	3		4	5

- 7) How significant are the following obstacles when deciding whether to move people *out* of Canada (through recruitment or intra-company transfer)? Please circle.

	Not Very Significant				↔	Very Significant	
Obstacles							
Visas and other legal requirements	N/A	1	2	3		4	5
Professional accreditation	N/A	1	2	3		4	5
Employment law	N/A	1	2	3		4	5
Language skills/cultural barriers	N/A	1	2	3		4	5
Costs (employee compensation, pension plan, taxation, benefits)	N/A	1	2	3		4	5
Accommodation/social services	N/A	1	2	3		4	5
Spousal employment	N/A	1	2	3		4	5

- 8) Are there any other obstacles not listed above? Please explain.

---



---

- 9) Are there specific obstacles to labour mobility to or from the U.S.? If so, please explain.

---



---

- 10) Are there specific features of Canadian immigration policies or provincial regulatory standards that limit your ability to move people? If so, please explain.

---



---

- 11) What is the most important thing governments should do to improve labour mobility?

---



---

### LABOUR MOBILITY TRENDS

- 12) In your experience, you have noticed that moving people across borders is becoming:

- |  |                                       |
|--|---------------------------------------|
| <input type="radio"/> Much more difficult      | <input type="radio"/> Somewhat easier |
| <input type="radio"/> Somewhat more difficult  | <input type="radio"/> Much easier     |
| <input type="radio"/> Staying a constant issue | <input type="radio"/> Not an issue    |

- 13) Your company's need to move people across borders has:

- ☐ Increased because of new technologies
- ☐ Decreased because of new technologies
- ☐ Remained constant regardless of changes in technologies

please explain your choice or give a short example:

---



---

- 14) On a scale of 1 to 10, how high does international labour mobility rank as a critical factor to the success of your company? Please circle.

1	2	3	4	5	6	7	8	9	10
(Not a factor					↔				Critical factor)

<b>COMPANY INFORMATION (Please Estimate)</b>	<b>In Canada</b>	<b>Worldwide</b>
<i>Size</i>		
Assets		
Employees - Total		
Employees – only Management or Executives		
<i>Sales (annual)</i>		
Goods	\$	\$
Services	\$	\$
<i>Expenditures (annual)</i>		
Research and development	\$	\$