



Policy Insights

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# No Time to Impede Labour Mobility

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The Case for Efficient Cross-Border Markets and Skill Mobility in the Great Lakes Region

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# **1.0 Globalization: The Growth of World Trade and Emerging Migration Trends**

*"The close U.S.-Canadian relationship "(has) not come about merely through the happy circumstance of geography. It is compounded of one part proximity and nine parts good will and common sense."*

**President Harry Truman  
Speech to Canadian Parliament, 1947**

*"...the reason that good will and common sense come so easily is because we are – Canadians and Americans alike – guided by the same core values."*

**Prime Minister Justin Trudeau  
Remarks at White House State Dinner, March, 2016**

## **1.1 Introduction**

The premise of globalization is to provide access to markets, capital, and technology to everyone and foster good governance. With good governance, it is believed, deficiencies that cause or sustain poverty can be dealt with and removed. Globalization brings about closer integration of nations and people with the breaking down of artificial barriers to the flows of goods, services, capital, technology, and to a lesser extent people.

Advances in innovative information and communication technologies, as well as increased global connectivity through supply chains and value chains, have accelerated international trade exponentially under a framework of preferential bilateral and regional trade agreements, all of which have gradually reduced trade barriers and opened up a wide range of markets. The multilateral General Agreement on Tariffs and Trade that was incorporated into the establishment of the World Trade Organization (WTO) in 1995,<sup>1</sup> has also been an important impetus for liberalizing the movement of goods and services.

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<sup>1</sup> This framework of liberalized trade represents the third pillar in the economic system that was set up by the Allies in the Bretton Woods financial and monetary agreements in 1944 shortly before World War II ended. Bretton Woods established the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (World Bank) to stabilize the post-War economic world and support developing (then referred to as underdeveloped) countries in their economic development. But it took 50 years before the World Trade Organization was established.

For the past 30 years, the growth of the global economy, as a result, has been nothing short of phenomenal. According to trade statistics from the WTO, measured in U.S. dollars (USD), "the value of world merchandise exports rose from \$2.03 trillion in 1980 to \$18.26 trillion in 2011, for an average annual growth rate of 7.3 per cent in current dollar terms. Commercial services trade recorded even faster growth over the same period, advancing from \$367 billion in 1980 to \$4.17 trillion in 2011, or 8.2 per cent per year."<sup>2</sup>

Foreign direct investment (FDI), the lower cost of doing business within many developed, developing, and emerging economies, and cross-border migration, in combination with the reduction of trade barriers have propelled economic globalization,<sup>3</sup> which is sometimes defined as: "the increasing economic integration and interdependence of national, regional, and local economies across the world through an intensification of cross-border movement of goods, services, technology and capital."<sup>4</sup>

Numerous successful companies like "Amazon, Apple, Cisco, Coca-Cola, Dell, Intel, Nike, Proctor & Gamble, and Starbucks attribute at least part of their success to their mastery of international trade and global supply chains. In the telecom industry, for example, supply chain leaders achieved 350% higher earnings before interest and tax than their lagging peers,"<sup>5</sup> while in retail and consumer goods sector, the most successful companies enjoy inventory turnovers that are over 450 percent higher than those less effective at managing their supply chains, according to a PricewaterhouseCoopers study from 2013.

The integration of supply chain processes cuts across the four domains of marketing channels, logistics, purchasing, and operations. Broadly speaking, marketing channels manage downstream relationships, connecting firms to their end-customers.<sup>6</sup> Purchasing, on the other hand, with its upstream focus, provides the link between the firm and its suppliers.<sup>7</sup> The other two domains of operations and logistics are involved throughout the supply chain to support and add value. In other words, every aspect of the supply chain requires labour, professional and skilled.

## 1.2 Global Cities: Shaping the New Knowledge Economy

One highly respected expert on globalization, Sakia Sassen, sees globalization as an emerging spatial system based on networks of global cities interconnected by a digital infrastructure and new transnational flows of people, power, and culture. The global cities network is becoming the new way of how the

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<sup>2</sup> World Trade Organization, World Trade Report: Factors shaping the future of world trade, pg. 54, 2013.

<sup>3</sup> Shagquan Gao, Economic Globalization: Trends, Risks and Risk Prevention, 2000.

<sup>4</sup> Rakesh Mohan Joshi, International Business, Oxford Higher Education, 2009.

<sup>5</sup> Irina V. Kozlenkova, et al, The Role of Marketing Channels in Supply Chain Management, Journal of Retailing, 2015.

<http://dx.doi.org/10.1016/j.jretai.2015.03.003>

<sup>6</sup> Kozlenkova, et al. op. cit.

<sup>7</sup> Tomas Hult, David Closs, and David Frayer. Global supply chain management: Leveraging processes, measurements, and tools for strategic corporate advantage. McGraw Hill Professional, 2013.

world economy is managed and serviced. These globalized urban centers generate a strong demand for new immigrant labour and represent the positive dynamics in the global flows and mobility of capital and people.

This new global spatial system, founded on global flows of money, information, and people through transnational networks of cities defines Sassen's "global city," a term she coined in 1984 and has written about extensively since. The global city transcends the nation-state/international state system and becomes the new unit of analysis in defining and analyzing globalization as it gets structured in cities in the current era.

Sassen emphasizes the fundamental and paradoxical duality of the global economy: more spatially-dispersed yet globally-integrated organization of economic activity. Multinational production is increasingly fragmented across the globe while functionally integrated by supply chains. The challenge of multi-tiered and globally dispersed economic processes is their coordination. This unique combination of spatial dispersal and global integration results in a new strategic dimension for the front-rank major cities. They become the mechanisms for coordinating the global economy. Toronto, Chicago, and Montreal are ranked in the AT Kearney Global City Index that uses five criteria (and 27 metrics): business activity, human capital, information exchange, cultural experience, and political engagement.<sup>8,9</sup>

Global cities are where specialized producer services are headquartered. These services and inputs are delivered to corporations in support of and to further productive and commercial activity. There is a wide array of these boutique services, "...including financial services (e.g., banking); accounting; advertising; insurance; management consulting; research and development; engineering and architectural services; design; administration and personnel; legal services; public relations; production technologies, communications and telecommunications as well as maintenance; cleaning services; security, and so on."<sup>10</sup>

These highly specialized services demand high levels of talent in providing the inputs required by global corporations. And multinational corporations with offices and operations ranging across the world need the flexibility to bring in their employees regardless of the location of their previous assignment was located. The overall scale is global while needing a local location from which to operate. The demand for global labour mobility is therefore acute. And in the hypercompetitive

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<sup>8</sup> AT Kearney, Global Cities 2016, retrieved at <https://www.atkearney.com/documents/10192/8178456/Global+Cities+2016.pdf/8139cd44-c760-4a93-ad7d-11c5d347451a>.

AT Kearney has compiled the Global Cities Index since 2008.

<sup>9</sup> Other global city evaluations include *The Economist's Global City Competitiveness Index* with 31 indicators of economic strength, human capital, institutional effectiveness, financial maturity, global appeal, physical capital, social and cultural character, and environment and natural hazards; the Martin Prosperity Institute's (where Richard Florida is affiliated) *Global Economic Power Index* focuses on three key dimensions of economic power: economic (economic output), innovation (patents), and financial; *Global Financial Centres Index* that measures financial and banking strength; and the *McKinsey Global Institute* projects global city economic output up to 2025.

<sup>10</sup> Robinson, William I., Saskia Sassen and the Sociology of Globalization: A Critical Appraisal. *Orfalea Center for Global & International Studies*. UC Santa Barbara: Global and International Studies, 2009. Retrieved from: <http://escholarship.org/uc/item/44j854qc>

global economy, shortages of the right kind of skilled labour can result in very real and serious economic losses.

These global cities and the managerial and expert talent residing there for either short or extended lengths of time are linked and integrate the major international financial and business centers – New York, London, Tokyo, Paris, Frankfurt, Zurich, Amsterdam, Dublin, Budapest, Los Angeles, Toronto, Montreal, Chicago, Sydney, Hong Kong, Bangkok, Seoul, Taipei, Mumbai, Jakarta, Kuala Lumpur, Sao Paulo, Mexico City, Santiago, Buenos Aires, Johannesburg, and others. This global network of some 40-50 interconnected global cities is characterized by their “world market orientation and significant concentrations of company headquarters, specialized corporate services, and asset-management institutions.”<sup>11</sup>

Global cities are major magnets of immigrant talent as well as attracting talent from within the Region. The driver and challenge is to match labour market demand to the supply of talent and skills. Impediments to labour mobility restrain the capacity to match demand and supply, and the market inefficiencies are costly to both employers and skilled individuals. When supply and demand are in close proximity as with the Canadian and U.S. case, the inefficiencies are particularly frustrating. Major employers may consider other locations for their next project or expansion.

### **1.3 Emerging Migration Trends**

**Migration, typically for employment, has become a critical element of global trade and investment, if not globalization.** In 2015, more than half of the world’s migrants (55 per cent or 128 million people) lived in the G20 countries.<sup>12</sup> Ageing populations in these economies is pushing the demand for migrant professionals and skilled workers even higher, as national and sub-national governments look to fill critical labour market shortages.

The International Labour Organisation (ILO) explains, for example, that in advanced economies, one-fifth of the population is already aged 60 or above, with the expectation that this share will rise to more than 30 per cent by 2050, whereas in many developing countries, less than 10 per cent of the population is aged 60 or above, with a significant share of youth entering the Labour market every year.

**Migration can offer a path to leverage this difference in population age profiles, potentially benefiting both developed and developing economies.<sup>13</sup> Consequently, the World Employment Confederation (WEC)<sup>14</sup> predicts that 25 million new workers will be needed in the U.S. by 2030 to sustain economic growth while 35 million new workers will be needed to**

<sup>11</sup> William I. Robinson, Saskia Sassen and the Sociology of Globalization: A Critical Appraisal. *Orfalea Center for Global & International Studies*. UC Santa Barbara: Global and International Studies, 2009. Retrieved from:

<http://escholarship.org/uc/item/44j854qc>

<sup>12</sup> International Organization for Migration (IOM): How the G20 Views Migration (Geneva, 2015)

<sup>13</sup> International Labour Organisation (ILO): World of Work Report: Developing with Jobs (Geneva, 2014).

<sup>14</sup> Formerly the International confederation of private employment agencies, CIETT, founded 1967 in Paris.

**meet Europe's employment needs by 2050. It is also estimated that some 45 million new entrants who are mostly young and from developing countries will join the global job market every year.<sup>15</sup> This is a good thing.**

According to the Organisation for Economic Co-operation and Development (OECD), even a three percent increase in labour mobility would add \$300 billion per year to families at the end of the remittance chain, and a 10 percent increase in per capita remittance value would reduce the incidence of poverty by three percent across seventy-one countries.<sup>16</sup> As well, migrants pay more taxes and social contributions than they receive and contribute substantively to destination countries' economies by providing the labour and skills needed in critical occupations and sectors.<sup>17</sup>

What is striking for this report, however, is the origin and destination of migrants. In many parts of the globe, migration occurs primarily between countries that are located within the same major area of the world. The majority of the international migrants originating from Asia (60 per cent, or 62 million persons), Europe (66 per cent, or 40 million), Oceania (59 per cent, or 1 million) and Africa (52 per cent, or 18 million) live in another country of their major area of origin. In contrast, the majority of international migrants born in Latin America and the Caribbean (84 per cent, or 32 million) and Northern America (73 per cent, or 3 million) reside in a country outside their major area of birth.<sup>18</sup>

In sum, the global trading system, predicated on liberalized trade in goods, services and investment has expanded into a complex, intricate, and sprawling network of economic hubs and clusters of industrial activities that is connected by arterial supply and across international borders. **To deal with the intensifying nature of globalization, as well as the pressures associated with an ageing society in many developed economies, intermediaries who focus on work, such as public employment services, recruitment agencies, and outplacement firms, are advocating for a fundamental restructuring of mobility rules for professionals and the skilled trades in order to address challenges within the global labour market that also respond more effectively to employment opportunities.**

Therefore, an effective policy framework at multiple scales is needed to assure that the labour market is supplying sufficient numbers of workers trained for the jobs in the rapidly evolving global economy of the early mid-21<sup>st</sup> century. This is an unprecedented challenge in an economic environment characterized by volatility, unpredictability, and complexity. And it only seems to be intensifying.

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<sup>15</sup> World Employment Confederation, The Future of Work, White Paper from the employment & recruitment industry, September 2016.

<sup>16</sup> Parag Khana: Connectography – Mapping the Future of Global Civilization, 2016.

<sup>17</sup> ILO, OECD and the World Bank Group: The Contribution of Labour Mobility to Economic Growth, 2015.

<sup>18</sup> International Migration Report, United Nations, 2015.

## **2.0 Innovative Leadership in the Great Lakes Region: Increasing Competitiveness and Prosperity in the U.S. and Canada**

## 2.1 Introduction

The Great Lakes-St. Lawrence Region, spanning the U.S. – Canada border and encompassing eight states (Michigan, Ohio, Wisconsin, Minnesota, Illinois, Indiana, Pennsylvania, and New York) and two Canadian provinces (Ontario and Quebec) is a global economic powerhouse. It is a highly integrated binational economy that is based on a long history of economic collaboration as evidenced in the Auto Pact of 1965, the U.S. – Canada Free Trade Agreement of 1989, and the North American Free Trade Agreement of 1994.<sup>19</sup>

As a result, it is a critical trade, investment, and logistics hub – regionally, nationally, continentally, and globally. In fact, with USD\$5.8 trillion in economic activity in 2015, if this binational Region were a country, it would rank as the third largest national economy in the world after only the U.S. and China. Similarly, the Region represents roughly 30% of Canadian and U.S. economic activity.<sup>20</sup>

To illustrate the region's significance to both countries another way, the eight states were the origin of roughly a quarter of total U.S. merchandise exports in 2015, while Ontario and Quebec accounted for more than 60% of Canadian goods shipments. And it boasts one-fifth of U.S. and one-half of Canadian manufacturing, thanks to companies like General Motors, Ford, Fiat Chrysler, Toyota, Motorola, Lear, BASF, Bombardier, Lockheed Martin, GE, Siemens, and John Deere.

In 2011, it also accounted for nearly 24.1 per cent and 72.1 per cent of R&D funding in the U.S. and Canada and generated 26.2 per cent and 68 per cent of the patents in the U.S. and Canada respectively in 2012, an innovation ecosystem that is supported by 20 of the world's top 100 universities.

The Region, as a result, enjoys a trade and investment relationship that is unmatched anywhere else in the world. More importantly, it enjoys a relatively high level of prosperity with per capita GDP of \$44,000, about the same as the Canadian and U.S. average as well as that of Germany and Europe's Nordic countries. Over the last decade, however, the Region has had somewhat lower prosperity gains compared against the U.S. – Canadian average.

While the manufacturing sector remains absolutely fundamental to the health of the regional economy, economic diversification is widely evident and a number of different economic clusters have significant concentrations:

- Clusters with wide distribution of locations across the Region:
  - Automotive
  - Metalworking Technology
  - Production Technology

<sup>19</sup> Economic cooperation goes back even further with trade agreements signed in 1935 and 1938 by Franklin Roosevelt and McKenzie King that gave Canada preferred access to the U.S. market (Critical and extensive security cooperation followed in the Second World War. This was the beginning of the special relationship between the two countries).

<sup>20</sup> Robert Kavcic, Great Lakes St. Lawrence Region: Economic Challenges and Opportunities, BMO Capital Markets Economic Research, April 2016.

- Upstream Metal Manufacturing
- Plastics
- Printing Services
- Insurance
- IT and Analytical Instruments
- Food Processing
- Metro-based clusters:
  - Business Services
  - Financial Service
  - Education and Knowledge Creation
  - Transportation and Logistics
- Clusters found in specific areas in the Region:
  - Aerospace Vehicles and Defense in Montréal, QC
  - Electric Power Generation and Transmission in the Toronto – Québec corridor
  - Medical Devices in Minneapolis, MN
  - Trailers, Motor Homes, and Appliances in Elkhart, IN<sup>21</sup>

The automotive cluster represents of course the Region's long-time economic engine, having pioneered this powerful industry throughout most of the 20<sup>th</sup> century. While still absolutely essential to the Regional economic core, this sector has experienced a drop in market share from 64% to 58% in the Canada-U.S. economy over the past decade with a corresponding severe loss of 220,000 jobs in the Region. It's been a time to readjust and retool.

Operating at a different rhythm, the information technology and analytical instruments cluster has experienced growth in the major centers and university towns in the region. This regional cluster has steadily gained market share, and the share of regional employment of this cluster in the U.S.-Canada economy has risen from 26.5% to 30%.<sup>22</sup> A significant segment of the IT sector is directly engaged with the automotive industry as vehicles increasingly become electronics on wheels. It's been a transformative process for both sectors. Modern high-end vehicles now have more lines of code than the Space Shuttle or a Boeing 787.<sup>23</sup>

On the cutting edge of manufacturing innovation, the federally funded Institute for Advanced Composites Manufacturing Innovation (IACMI), a collaboration of universities (Michigan State University, University of Dayton, Purdue University, and University of Tennessee) and the vehicle manufacturing R&D sector in the Region with the National Renewable Energy Laboratory (NREL), is developing light-weight composite materials for vehicle technology and other applications. The industry-led program focuses on technology development and

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<sup>21</sup> Christian Ketels, Clusters and Regional Economies: Implications for the Great Lakes-St. Lawrence Region, Conference of Great Lakes and St. Lawrence Governors and Premiers, June 2015.

<sup>22</sup> Ibid.

<sup>23</sup> VisualCapitalist, How Many Millions of Lines of Code Does It Take? Infographic, ValueWalk, February 8, 2017 at <http://www.valuewalk.com/2017/02/many-millions-lines-code-take-infographic/>

maturation from technology readiness level (TRL) 4 to TRL 7 and above.<sup>24</sup> Using a nine-point scale, this system assessment tool was developed by the NASA Earth Science Technology Office and provides a uniform and consistent analytical approach across technologies.<sup>25</sup>

Strong regional economic growth will depend in great part on the synergies of the manufacturing-driven clusters and the IT and analytical instruments sector in collaboration with the university and private research communities. Knowledge creation and education will continue to figure more and more prominently in the future equations for regional economic development and job creation. This trend is largely a function of the ever-expanding role and use of robotics and automation across the entire range of economic activity and applications.

### St. Lawrence-Great Lakes Regional Economic Indicators

	CDN	US	SL/G <sup>1</sup>	ON	QC	IL	IN	MI	MN	NY	OH	PA	WI
<b>Real GDP % Change US\$</b>													
2013	2.2	1.5	0.5	1.3	1.2	-1.00	1.5	2.5	2.2	0.5	0.5	0.2	0.5
2014	2.5	2.4	1.8	2.7	2.7	1.00	1.2	1.6	1.8	2.7	1.4	1.5	1.2
2015	1.2	2.4	2.1	2.5	2.5	1.4	2.4	2.2	2.0	2.2	2.2	2.2	1.9
<b>Employment % Change</b>													
2013	1.4	1.6	1.0	1.8	1.2	-0.3	1.6	1.8	1.3	1.3	0.4	0.3	0.9
2014	0.6	1.6	1.2	0.8	-0.1	1.4	2.9	2.1	1.2	1.0	1.4	1.4	1.4
2015	0.9	1.7	1.2	1.0	1.0	1.1	2.2	1.7	1.2	1.7	0.7	0.7	1.0
<b>Unemployment Rate</b>													
2013	7.1	7.4	7.4	7.6	7.6	8.9	7.5	8.5	4.8	7.5	7.3	7.1	6.6
2014	6.9	6.2	6.2	7.2	7.8	7.0	5.9	7.1	4.1	6.3	5.7	5.8	5.4
2015	6.9	5.3	5.4	6.8	7.7	5.9	4.8	5.4	3.6	5.3	4.8	5.0	4.6
<b>Population % Change</b>													
2013	1.2	0.7	0.4	1.1	0.9	0.1	0.5	0.1	0.7	0.4	0.2	0.1	0.3
2014	1.1	0.8	0.4	1.0	0.8	0.1	0.4	0.2	0.7	0.3	0.2	0.1	0.3
2015	0.9	0.8	0.3	0.9	0.6	0.2	0.3	0.1	0.6	0.2	0.1	0.1	0.2
<b>Exports % Change</b>													
2013	4.1	1.9	3.2	0.9	3.5	-3.2	0.7	2.7	0.8	6.1	4.1	5.3	-0.1
2014	10.1	2.5	7.6	8.0	14.6	3.5	3.8	-4.6	3.1	2.4	3.1	-1.7	1.5
2015	-0.9	-7.3	8.3	11.1	7.8	-7.0	5.1	-4.6	6.5	6.9	-2.8	-2.0	-4.2

<sup>24</sup> Larry Drzal, Director, Michigan State University Composite Materials Center, email communication, March 13, 2017 and <http://iacmi.org/>

<sup>25</sup> The 9-level technology readiness scale includes: TRL 1, the basic principles of the technology are observed and reported; TRL 2, the concept and/or the application is formulated and the experimental proof is performed in TRL 3; TRL 4, the technology is validated in the lab; TRL 5, the technology is validated in a relevant environment (industrially-relevant environment in the case of key enabling technologies); TRL 6, the technology is demonstrated in a relevant environment; TRL 7, the system prototype is demonstrated in the operational environment; TRL 8, the system is complete and qualified; and TRL 9, the actual system is proven in an operational environment (competitive manufacturing in the case of key enabling technologies).

## **2.2 Boomers Retire and Growth Slows - The Shifting Contours of the Region's Labour Market**

Demographic pressures on the U.S. labour force are projected by the U.S. Bureau of Labour Statistics (BLS) to result in an average annual labour force growth rate of 0.5 percent for the period 2014-2024. This rate is appreciably slower than what was seen in the last half of the 20<sup>th</sup> century. Slower population growth and aging baby boomers (the cohort born between 1946-64) now hitting retirement age are the current dominant demographic factors.

There will also be a decline in the labour force participation rate, a function of demographic, structural, and cyclical factors. In the U.S., the participation rate peaked in the 1997 to 2000 period, according to the BLS. The shift in the composition of the labour force from younger to older age groups is expected for the coming decades.

This fundamental demographic shift is unprecedented. The proportion of the U.S. labour force in the over 55 age group is projected to nearly double—from 13% in 2000 to 24% by 2050. This demographic is mirrored in Canada with the over-65 age group making up 16 percent of the Canadian population. It is expected to reach 20 percent in another ten years and by the mid-2030s closer to 25 percent.

In a recent *Globe and Mail* feature article, the impact of retiring boomers on the Canadian economy over the next 15 years was emphasized, asserting that the “dramatic greying of Canada’s population will reshape the economy, stifle growth and force governments to provide for a growing number of seniors with a shrinking pool of taxpayers.”<sup>26</sup>

Therefore, it is clear from these trends that the high growth rate of the labour force in the last half of the 20<sup>th</sup> century will not be repeated in the first five decades of the 21<sup>st</sup> century. In fact, the annual growth rate of the U.S. labour force is expected to fall to 0.7% in the 2000-2050 period.<sup>27</sup> Similarly, the Canadian rate is expected to average 0.5 percent in the 2020s.

The Great Lakes-St. Lawrence Region is not immune from these trends. As pointed out in the recent BMO State of the Great Lakes Economy report, “broad-based aging continues to slow population and labour force growth in the region with the 2015 growth rate the weakest since 1986, dragging down potential economic growth with it.”<sup>28</sup>

The Region also continues to be plagued by its residents picking up and heading south or west with the attraction of jobs, economic growth, and warmer weather. According to the BMO report, however, Ontario and Quebec expect to see

<sup>26</sup> David Parkinson, Janet McFarland, and Barrie McKenna, Boom, Bust and Economic Headaches, *The Globe and Mail*, January 5, 2017.

<sup>27</sup> U.S. Bureau of Labour Statistics, Mitra Toossi, *Monthly Labour Review*, Projections of the labour force to 2050: a visual essay, October 2012.

<sup>28</sup> Kavcic, op. cit.

their outflows subside this year with the oil price shocks causing the flow of migrants to oil-producing provinces to ebb.<sup>29</sup>

The decline in international migration to the U.S. with its impact on the labour force represents another significant challenge to American economic resilience and continued growth. In comparison, Canada enjoys a healthier flow of foreign immigrants as part of its framework of progressive immigration and refugee policies.

Canada currently accepts roughly 250,000 new immigrants each year (about double the natural growth through births and deaths), or about twice as many immigrants as the U.S. That meets the annual number of new boomer retirees now, but that number will jump to 400,000 in the next few years.<sup>30</sup>

Both Canadian and U.S. policymakers will have their work cut out for them to find viable ways to deal with this gray imbalance and changing immigration patterns. Solutions include education and retraining programs to assure that there are workers with the needed skills for the jobs vacated by boomers and the new jobs in IT, health care, and other growth sectors.<sup>31</sup> Acceptance of more fluid cross-border labour mobility and having the capacity to recruit global it talent is another important component of the solution.

### **2.3 The Value of Labour Mobility**

To be globally competitive, Canadian and U.S. companies in the Great Lakes-St. Lawrence Region, and more broadly, need the ability to recruit efficiently from cross-border, domestic, and global labour markets. Agility and quickness animate traditional and innovation-driven industries. And that drives the search for talent possessing the precise knowledge and expertise that companies need in that time frame.

In addition, firms with global reach often need regionally specific knowledge to understand and satisfy customer demand in that region. Foreign professionals and skilled workers from far and near, such as workers who live in close proximity to a border of a neighbouring country, can often provide vital skills in learning the preferences (both explicit and latent) found in a company's local or regional market.

Market leaders, recognizing the adage that 'one size does not fit all' act strategically based on that insight. Diverse and multi-cultural talent in a company's staff configuration can facilitate the crafting and execution of market strategies for their company's products and/or services. This drive for flexibility makes access to talent absolutely essential and should be specifically and strongly supported in economic development and workforce development policymaking.

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<sup>29</sup> Kavcic, op. cit.

<sup>30</sup> Parkinson, et al., Boom, Bust and Economic Headaches.

<sup>31</sup> Ibid.

Facilitating cross-border labour mobility in the Great Lakes-St. Lawrence Region specifically would also increase the efficiency of our binational labour market and thereby increase regional economic productivity, key to the Region's competitiveness in the global economy. Individual and community well-being would also benefit. By eliminating unnecessary impediments to workers' mobility, a crane operator from Buffalo, for example, could work at his trade in Toronto but still return home to his family at night.

It should be emphasized that there is significant and long-standing cross-border labour mobility in the Region already. Over 110,000 Canadians commute to work in U.S. cities every day, for example, including an estimated 3,500 nurses and health care workers in the Greater Detroit/Windsor area alone.<sup>32</sup> The immediate proximity of the U.S. and Canada has contributed to a long history of ease and familiarity with the other country and its legal system and social customs.

### **The Binational Metropolitan Community of Detroit-Windsor: The Valuable Mobility of Canadian Nurses in the Cross-Border Labour Market**

The binational metro region of Detroit/Wayne County-Windsor/Essex is one of the most populous cross-border regions in the world with a population of some 6 million residents. It is the most populous U.S.-Canadian cross-border region, and occupies the mid-point between Toronto to the east and Chicago to the west. Transportation links are extensive with Highway 401 and Interstate 94 providing freeways in each direction. Air and rail connections add velocity and volume to networking connectedness that is robust and vital.

Straddling the Detroit River, four cross-border transportation links connect the region at the 85-year old Ambassador Bridge, Detroit-Windsor Tunnel, Detroit-Windsor rail tunnel, and the Detroit-Windsor truck ferry. And property is currently being acquired for the construction of a second bridge, the Gordie Howe International Bridge, capitalized by the Canadian government with completion projected for 2020. The esteemed Canadian Gordie Howe was the all-time great Detroit Red Wing and lends the new bridge a perfect name, reflecting the connectedness of the binational metro community.

In spite of this strong connectedness between the Windsor and Detroit communities, recognition of it is relatively muted. One key positive exception in addition to the regionally-integrated automotive industry, is that of health care. A long-time nexus has existed in the binational metro medical community with some 2,000 Canadian nurses currently working at the Detroit Medical Center (DMC) and the Henry Ford Hospital, both of which are within minutes of the Windsor-Detroit Tunnel. It is estimated that another 1,500 Canadian health care professionals also cross the border on a daily basis to work in various Detroit-area medical facilities.

Canadian nurses, primarily graduates of the University of Windsor nursing program, play a vital role in meeting the shortage of available nurses in Detroit and providing top-quality patient health care. Human resources departments at both hospitals have extensive experience in meeting the requirements for getting an employment-based visa, and provide valuable assistance to new visa applicants in obtaining the required job-related documentation for presentation to the U.S. Customs and Border Protection staff at the port of entry at Detroit. This example constitutes a classic case of adding common sense to proximity and producing a positive result with mutual binational benefit.

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<sup>32</sup> John Austin, Elaine Dezenski, and Britany Affolter-Caine, *The Vital Connection: Reclaiming Great Lakes Economic Leadership in the Bi-National US-Canadian Region*, Brookings Institution Metropolitan Policy Program, March 2008.

## 2.3 Border Crossing Impediments to Labour Mobility

**Cross-border mobility has become restricted, managed, and selectively expedited through security measures imposed at the border...**(and) the spontaneous travel and relaxed cross-border migration which characterized the 20<sup>th</sup> century border relationship between friends and neighbors has become increasingly replaced by cautious, planned multipurpose trips and rule bound migration between business partners and allies in the war on terror. **The result is that there is now a perception of the border as a constraint, not the soft, permeable, and porous border of the 19<sup>th</sup> and 20<sup>th</sup> centuries. Increased waiting times at border crossings, uncertainty about crossing, profiling of potentially-dangerous ethnic groups, and strident militarization of the border, increase perceptions that the border is a barrier.**<sup>33</sup>

Labour mobility across the border is affected by a battery of border-related laws, especially since the tightening of the border after the events of 9/11, as well as other policies administered by the two countries at the federal and sub-national level. **To assure labour market efficiency and increase regional competitive advantage, the overall policy objective should be to support geographic labour mobility as much as possible and make it as seamless as possible.** Impediments should ideally be limited to only those necessary for border security and eliminating the terrorist threat to the citizens and residents of both countries.

The challenge we attempt to address here are the barriers responsible for the most acute labour market distortions that can be reduced **by making reasonable changes in the management and regulation of the flow of Canadian and U.S. workers** across the border without compromising security. To this end, our examination of cross-border labour market mobility detected the following irritants:

- Impediments in existing programs such as those for business visitors, intra-company transferees and temporary foreign workers;
- Inadequate recognition of skills and certification across provinces and states;
- Border delays related to paperwork and certification;
- Burdensome or unclear procedures for low-risk business travelers;
- Inadequate or out of date information about labour market demand;
- Inadequate information or burdensome health and safety certification issues;
- Challenges obtaining waivers for minor criminal offences;
- Inconsistent procedures and decision making by officials at ports of entry; and,
- Regulators whose mandates do not include reduction of red-tape or coordination with other jurisdictions.

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<sup>33</sup> Viktor Konrad, From spontaneity to corridors and gateways: cross-border mobility between the U.S. and Canada in Mobility and Migration Choices: Thresholds to Crossing Borders, edited by Martin van der Velde and Ton van Naerssen, Routledge, 2015.

### **3.0 Improving Cross-Border Labour Mobility: New Approaches to Develop, Attract, and Retain Talent**

### **3.1 Introduction**

**This report focuses on identifying, with a view to removing, cross-jurisdictional barriers. We are advocating a fundamental restructuring of mobility rules for professionals and the skilled trades in order to address challenges within the global labour market and also respond more effectively to employment opportunities.**

In considering which barriers to eliminate and how to enhance labour mobility, the following four core principles should clearly define the framework for making any changes to mobility rules.

- **Reasonable admissibility and market entry:** Recognition of an individual's legal right to enter a new market.
- **Good employer conduct:** Recognition of employers that are operating in a lawful and transparent manner when moving workers across the border.
- **Mutual skills recognition:** Recognition of an individual's skills that are attained in one jurisdiction are sufficient to meet the standards of another jurisdiction.
- **Labour market demand:** Providing clear evidence that the skills identified for transfer across the jurisdictional boundary cannot be readily sourced in that local labour market.

These core principles should guide any revisions in the nonimmigrant employment systems and programs in the two countries that impact cross-border labour mobility. They should also govern any proposals designed to streamline those systems and improve labour mobility. The proper application of these principles can assure fairness and balance in the systems and programs to facilitate labour mobility and achieve the maximum utilization of talent. That set of dynamics can provide efficient labour markets and optimize economic productivity to enhance prosperity in the binational Great Lakes-St. Lawrence Region. The time is right for the mobility of labour to be accorded the same level of regard as that given to moving goods and capital in the binational arena specifically and the global market more generally.

### **3.2 Reasonable Admissibility and Market Entry**

Canadians and Americans have long enjoyed preferential consideration from the other governments in crossing the world's longest shared border (at 5,525 miles or 8,891 kilometres). This has been the world's most peaceful border for over 200 years. The tragic events of the 9/11 terrorist attacks in 2001, however, changed the security perspective in Washington and instigated new levels of border-crossing oversight and complexity that had not previously existed. Even with the greater emphasis on security, proof of identity and proof of citizenship that

Canada and the U.S. require of each other along with border rules and procedures are far less demanding than those required of travelers from other countries.

Moreover, the U.S. and Canada have worked together and made serious commitments to higher levels of bilateral border cooperation in the 2011 Beyond the Border Action Plan.<sup>34</sup> Implementing this strategy has helped expedite cross-border movement although more needs to be done. Automated screening and information-sharing programs have been implemented to identify low-risk travelers and move them across the border as quickly as possible. This important change frees up time and security resources to conduct more intensive screening of higher-risk individuals.

### **3.21 Facilitating Cross-Border Travel: The Success of the binational NEXUS**

For business visitors and tourists, a range of trusted traveler programs, principally NEXUS, are available to ease border crossings. NEXUS allows Canadian and U.S. border officers to focus on unknown and potentially higher-risk travelers. The process is automated at most airports, and fully staffed, NEXUS-dedicated lanes facilitate the flow of travelers at major land crossings. The NEXUS program represents a high point in binational collaboration with the administration of this program shared by the two countries. It's an unusual and unusually successful administrative arrangement.

NEXUS is a success story. It is particularly helpful to U.S. and Canadian drivers who frequently cross the U.S.-Canadian border. NEXUS members get to use fast NEXUS lanes at land borders entering Canada and the U.S. Nexus members also qualify for fast PreCheck security lanes at U.S. airports. And members can use Global Entry kiosks to skip lines at U.S. immigration and customs when returning to the U.S. on international flights. NEXUS membership costs US\$50 for five years. A rigorous background check, fingerprints, and an iris scan for air travel are required followed by a personal interview. The major limitation of the NEXUS program is too few interview sites. The application turnaround time is generally about two months.

NEXUS members receive expedited screening at airports in both countries, have access to NEXUS lanes at 21 major land border crossings in Canada and 26 locations at U.S. ports of entry, and have access to TSA Pre✓® lanes at 171 airports in the U.S. Air Canada, the first Canadian air carrier to join the program, implemented TSA Pre✓® for mobile boarding passes and home-printed boarding passes in the spring of 2015. In October 2015, WestJet, another Canadian air carrier, also joined TSA Pre✓®.

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<sup>34</sup> The Beyond the Border Declaration: A Shared Vision for Perimeter Security and Economic Competitiveness was signed by then-Prime Minister Stephen Harper and then-President Barack Obama February 2, 2011 with the Beyond the Border (BTB) Action Plan completed later that year in December. The Declaration aimed to strengthen and streamline border security and to facilitate the bilateral flow of goods and services. The last BTB implementation report was completed September 29, 2016 by the U.S. Department of Homeland Security.

Membership in the jointly administered Canada-U.S. NEXUS program reached 1.3 million in 2015, a 17% increase over 2014. Also in 2015, of the roughly 64 million overall travelers crossing the U.S.-Canada land border, approximately 6.6 million took advantage of NEXUS lanes while commuting across the U.S.-Canada land border – accounting for about 12% of all traveler crossings and some 15% of all vehicle crossings.<sup>35</sup>

### **3.22 Cross-Border Business Travel and Temporary Work**

Travelling across the border for business purposes is more complicated than for tourists, but not as bad as some think. A number of entry categories allow business travelers to enter for short stays, such as business meetings, product demonstrations, or after-sales service; or for longer stays such as installing an electrical system in a new building or developing a new computer game.

Business person visas are vital to a growing and robust binational Great Lakes regional economy. Selling products and providing services across the Canada-U.S. border is an essential part of building Great Lakes regional market competitiveness and integrated supply chains. ***It is likely that too few take advantage of cross-border work opportunities caused by their current lack of accurate information regarding admissibility and market entry.***

The most common type of current temporary cross-border work involves the cross-border delivery of services where the worker is paid by an employer in his/her own country to deliver a service in the other country. Canadians can also work in the U.S. with a temporary work visa, like the NAFTA TN or the U.S. H1B visa.

There are four categories of “business persons” codified in NAFTA who can enter another NAFTA country to work for a specified length of time (the U.S. visa classification is noted here in parenthesis): 1) those engaged in after-sales services and other business services (B-1 visitors); 2) Intra-company transferees (L visas); 3) professionals (TN visas); and 4) traders (E visas).

In obtaining a work permit to work in Canada, all four of these aforementioned categories are exempt from having to get a Labour market impact assessment (LMIA).<sup>36</sup> The LMIA exemption in Canada speeds up the permit application process considerably in most cases. In addition, the Government of Canada announced last October the Global Skills Strategy, which proposes to fast-track visa and work permits (10-14 days) to help Canadian businesses attract global talent.

NAFTA is silent on the cross-border mobility of workers in the skilled trades. **Canada’s Building Trades Union (CBTU) has advocated for a skilled trade workers visa pilot** program modeled on **TN professional visas**. The need could

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<sup>35</sup> Department of Homeland Security, 2015 Beyond the Border Implementation Report, September 29, 2016.

<sup>36</sup> Formerly known as a Labour market opinion (LMO).

become acute in light of expected shortfalls in skilled labour on either side of the border as well as major infrastructure projects expected in both Canada and the U.S., such as the Gordie Howe Bridge. A pilot program in Alberta in (2012-16), for example, accepted Illinois workers and required no legislative changes at the provincial or federal level.

Building on the Alberta experience, **the proposed CBTU pilot program would require participants to obtain a Nexus card with its "trusted traveler" status for both the U.S. and Canada. NEXUS would help minimize security risks with its pre-screening of applicants by both countries.** Using NEXUS would ensure that program participants are admissible to either country prior to arriving at a port-of-entry.

A construction contractor or other employment letter and/or a dispatch letter from the building trades union sending the worker to pre-arranged employment in the U.S. would constitute the necessary documentation of temporary work for that applicant. U.S. Customs and Border Protection (CBP) Agency within the U.S. Department of Homeland Security (DHS) would handle permit applications at ports of entry like NAFTA visas.

Occupations covered by the pilot would be determined by Employment and Skills Development Canada (ESDC), Immigration, Refugees, and Citizenship Canada (IRC), and the U.S. Department of Labor (DOL). ESDC and U.S. DOL would make labour market impact assessments mandatory in those geographic areas needing protection of local labour markets and workers.

Each local jurisdiction would enforce its licensing requirements. Many Canadian provinces already have processes in place for recognizing U.S. credentials. Many U.S. jurisdictions do not have skilled trades licensing requirements and that would not change. State, provincial, or local jurisdictions would decide on licensing applicants. The Ontario College of Trades, for example, already handles both domestic and international license applications in Ontario.

According to the Canadian Major Projects Management Officer there is more than CDN\$700 billion of planned investment in Canada's energy sector over the next 10 years. In the U.S., President Trump announced a \$1 trillion infrastructure-spending program as one of his Administration's top priorities. The program would pressure states to streamline local permitting, improve existing roads and highways instead of new construction, and push shovel-ready projects. Specifics on the actual spending plan, however, are not developed yet (as of March 15).<sup>37</sup> The Council on Foreign Relations (CFR) has projected that there will be US\$2.3 trillion in required infrastructure upgrades in the U.S. in the next decades. **So, there is a compelling rationale for facilitating cross-border mobility of skilled trade workers and supporting robust economic growth and development.**

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<sup>37</sup> Michael Bender, Trump Begins to Map Out \$1 Trillion Infrastructure Plan, Wall Street Journal, March 8, 2017.

## **Alberta Skilled Trades Temporary Foreign Worker (TFW) Pilot Project**

The Alberta skilled-trades Temporary Foreign Worker (TFW) pilot project, established under the Annex to the Alberta-Canada Agreement on Immigration Cooperation, was launched in June, 2012. This was at a time of severe labour shortages in oil sands infrastructure construction projects and the pilot was strongly supported by the CBTU in addition to oil and construction companies. Under this pilot, foreign nationals were issued a work permit (WP) by Citizenship and Immigration Canada (CIC) that allowed them to work temporarily in their specific occupation for up to two years. Importantly, this permit gave these TFWs the mobility to work in the same occupation for different employers without requiring a Labour Market Opinion (LMO) from Employment and Social Development Canada (ESDC).

Citizenship and Immigration Canada (CIC) was allowed to issue occupation-specific work permits to TFWs in six construction skilled trades: steamfitter-pipefitters; carpenters; estimators; heavy-duty equipment mechanics; ironworkers, millwrights and industrial mechanics; and welders. The pilot ran for four years ending in July 2016 with applicants needing to apply in the first year (by July, 2013). Approximately 2,000 foreign nationals took advantage of this TFW opportunity with many of them coming from Illinois and other upper U.S. Midwest states. The oil sands boom with the major jobs spike collapsed from falling oil prices in 2015 and resource and infrastructure investment was an immediate casualty that resulted in staggering job losses. The government is responsible for a program evaluation but evaluations often take years to complete. No evaluation has been released as of February 2017

Canadian TFW programs are not without their critics with the bulk of the criticism directed at low-skilled TFWs and employer abuses. On a broader level, one university researcher pointed out that a major flaw of TFW programs is the lack of data to document labour shortages. The government does not collect data on job position vacancies, it was pointed out.

Closing this data gap, then, would be an important step in strengthening the case for TFW programs to reduce labour shortages. Improving the reliability of labour market statistics at the regional and occupational levels is needed to illuminate the true extent of labour shortages in Canada. Expanding the existing Canadian Occupational Projection System to include labour supply and demand projections at the provincial and sub-provincial levels would bring greater consistency in labour market assessments, and facilitate well-founded labour market decisions on the part of employers, job seekers, government, and

### **3.3 Good Employer Conduct**

Employers are the critical link in the process of bringing foreign workers to the U.S. and Canada. With the heightened national security concerns focused on the global terrorist threat and informed by the attacks of 9/11, DHS CBP and CBSA tend to be wary in general of foreign nationals entering the U.S. and Canada to work temporarily. As a result, the process to grant visas for these workers is cumbersome, costly, and time-consuming for companies that need foreign labour. In addition, there have been episodes where abuse of foreign workers or of the process to obtain employment-based visas, or both, have occurred. There have been instances of these abuses in both countries.

In addition to CBP and Canada Border Services Agency (CBSA), the U.S. DOL and ESDC are directly involved in the countries' respective permit processes to ensure that the hiring of a foreign worker is justified because of the lack of availability of domestic workers and that fair employment practices are followed.

In the robust Beyond the Border (BTB) stakeholder process in 2012-13, company representatives expressed the need for more timely and consistent administration of the visa-granting process for employment-based visas and for business visitors. The time factor of the visa review process is absolutely critical, as employers' labour needs are often extremely time-sensitive. If applications can't be reviewed expeditiously, the needs for specific labour resources goes unmet, money is lost, and economic opportunities squandered.

### **3.31 Streamlining the Process**

Employer pre-screening is a solution that was highly recommended in the stakeholder process and is one way to ensure that the privileges associated with cross-border labour mobility are not granted to companies with any history of labour or border violations.

The Department of Homeland Security (DHS) announced the launch of a Known Employer Pilot Program March 3, 2016, a long-promised BTB initiative. The U.S. Citizenship and Immigration Services (CIS) is leading the pilot, and collaborating with Customs and Border Protection (CBP) (both within the U.S. DHS) and the U.S. Department of State. The pilot has modified the process to review employer eligibility for certain employment-based visas with the purpose of reducing paperwork and making adjudications more consistent. The pilot was recently extended to run through September 2017.

Participating employers can file an application online with an enhanced profile, and U.S. CIS makes a predetermination accordingly. After approval, the employer need only file applications for individuals to obtain a work-based visa. No refiling of company information is necessary. CIS is aiming to provide more support to CBP and DOS to increase efficiency and make adjudications more consistent at ports of entry and consular offices.

Eight or nine employers are participating from a range of industrial sectors. Three new employers were recently added because of a low level of participation among some of the original pilot participants. Two immigrant visa classifications and four non-immigrant employment classifications are covered by the pilot. The latter four include H1-B; L-1A; L-1B; and TN visas. The visas are administered independently of national origin quotas to optimize program flexibility and results. There is no quantitative data available yet on the results of the pilot.<sup>38</sup>

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<sup>38</sup> Deborah Meyers, Director, Canadian Affairs, U.S. DHS, Phone Interview, January 11, 2017.

With the federal Canadian government expected to start implementation of its Global Skills Strategy (GSS) June 12, 2017, it is expected to address the labour market benefit/need, and facilitate the entry of skilled workers to Canada. Labour market impact assessment (LMIA) processing times for employers that qualify under the GSS are expected to be reduced and streamlined (as of April 10, 2017).

Measures to facilitate cross-border movement, however, can provoke public ire and become politically untenable if they are associated with giving foreigners a free pass to “take away our jobs” or are linked to the entry of undesirable elements into society. Consequently, steps to build a viable and relevant program of cross-border labour mobility must proceed cautiously in order to minimize the risk of public backlash and costly setbacks.

### **3.4 Mutual Skills Recognition**

In Canada and the U.S., occupational certification takes place at the sub-national level, at the provincial level in Canada and at the state level in the U.S. So, each state and province oversees occupational certifications and that results in a complicated patchwork of rules and regulations across both countries. This is the context for countless instances of professionals encountering barriers to transferring their credentials from one province to another or one state to another.

As trade in services increases with the accelerated integration of global and North American markets and the migration of professionals and skilled workers becomes more widespread for a whole host of reasons, the pressure on labour markets intensifies to match this talent to labour needs more efficiently. Globalization has made the dynamics of labour mobility more fluid in many cases. But it remains very difficult for many mobile workers to find employment in their profession in other countries, or in the case of the U.S. and Canada, on the other side of the border when short to medium term needs arise.

Governments and professional associations feel the labour market pressures in varying degrees: some international agreements have been achieved that provide clear rules for licensing practitioners who move across the border of signatory nations. The goal of such mutual recognition agreements (MRAs) is to systematize the reciprocal movement of professionals, and reduce or eliminate the need for case-by-case reviews. This can be done more easily where practitioners have been trained in systems that have comparable skills and knowledge.<sup>39</sup>

It was envisioned under NAFTA that there would be mutual recognition of credentials in the professions among the three countries. But only a handful of professions, including chartered accountants, professional engineers, and more recently, architects (2014) have fully implemented cross-border credential recognition.

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<sup>39</sup> Madeleine Sumption, Demetrios Papademetriou, and Sarah Flamm, Skilled Immigrants in the Global Economy: Prospects for International Cooperation on Recognition of Foreign Qualifications, Migration Policy Institute, December 2013.

Getting to the mutual recognition of occupational skills that were certified elsewhere can be a fiendishly complex process. And for Canadian and U.S. skilled workers and professionals, the impact of NAFTA on the mutual recognition of regulated trades and professions has been limited at best. But again, the objective of incentivizing or leveraging MRAs could be put on the table in the new U.S. administration's pursuit of revising NAFTA, or even at the state-provincial level between Governors and Premiers and legislators as they look for new ways to create economic growth in this vital Region.

The WTO General Agreement on Trade in Services (GATS) offers even fewer benefits in terms of labour mobility: it only covers self-employed and contract service providers and does not offer any guarantees of credential recognition.<sup>40</sup> There are relatively few GATS entries to Canada in any given year – fewer than 300 for 2012 and 2013 compared to nearly 20,000 NAFTA entries for the same period.<sup>41</sup>

Finally, it was emphasized in a recent policy paper by the Migration Policy Institute funded by the European Union that "mutual recognition agreements (MRAs) require political will and persistence." And moreover, they work best as a part of a broader package of measures to facilitate cross-border labour mobility and employment of skilled migrants. Employment visas and work-permit processes, it was pointed out, need to be geared toward the management of an orderly flow of professionals between countries.<sup>42</sup> Limiting the right to practice a profession to a single jurisdiction multiplies inefficiencies when the economies in which regulated professionals have become global.

### **3.41 Models of Mutual Recognition Agreements (MRAs)**

Two potentially relevant models of MRAs are those between Australia and New Zealand, and between Quebec and France. The Australia-New Zealand MRA grants reciprocal recognition of all professions. If a professional has credentials in one country, then those credentials are sufficient to practice that profession in the other country without any additional credentialing. The recognition is automatic.

In the EU, seven professions (architects, dentists, doctors, midwives, pharmacists, nurses, and veterinary surgeons) receive automatic recognition of credentials granted in one country in all the other EU member countries.

Quebec and France signed their Agreement on the Mutual Recognition of Professional Competence in 2008, and under pressure from the two governments, several professional associations concluded agreements for mutual recognition: 26 professions and 49 trades have MRAs as of 2013. Among the 26 professions, nursing was the most extensively used from France to Quebec with 572 cases.<sup>43</sup>

<sup>40</sup> Laura Dawson, "Labour Mobility and the WTO: The Limitations of GATS Mode 4," *International Migration* 51:1 (February 2013).

<sup>41</sup> Employment and Social Development Canada, *Overhauling the TFW Program* (February 2015), p. 2.

<sup>42</sup> Sumption et al. *Skilled Immigrants in the Global Economy*, 2013.

<sup>43</sup> Jean-Luc Bedard, Professional mobility between France and Quebec. Understanding the role and pertinence of mutual recognition, Powerpoint, March, 2015.

The Trans-Tasman Mutual Recognition Arrangement (TTMRA) was signed by Australia and New Zealand over 20 years ago (in 1996). A model of mutual recognition of occupations and goods, it is unique for both its scope and decentralized approach to implementation. Few registered occupations are explicitly excluded and about 85 per cent of trans-Tasman goods trade is covered. It provides a framework for the relatively unimpeded flow of both goods and labour.

In its 2015 report on the implementation of the agreement, the Australian Productivity Commission found that it was operating well for covered goods and occupations with the qualifier that there was a risk of slow erosion of benefits due to regulators not always implementing mutual recognition, weak oversight, and an increase in the number of goods and related laws kept out of the scope.

In most Australian and New Zealand jurisdictions, 15-20% of the employed work in occupations that are subject to registration requirements, and so could potentially use the mutual recognition schemes and work in the other jurisdiction. Covered occupations include those in the health, building and construction, real estate, public health and safety, transport, and legal sectors.<sup>44</sup>

Those registered to practice an occupation in one jurisdiction are entitled to practice an equivalent occupation in the other jurisdiction after notifying the local occupation-registration authority. Registration is granted pending verification of the registration in the jurisdiction of origin. Registration in the new jurisdiction is required so that practitioners become aware of any local restrictions on the scope of their work. And registration also insures that regulators know who is practicing locally to facilitate execution of their compliance responsibilities.<sup>45</sup>

### **3.5 Assure Labour Market Demand**

It is critical to the legitimacy of labour mobility that skilled workers moving across the border and international migrants meet actual needs in that local labour market. That is, the cross-border transfer of those skills is necessitated by an actual supply shortage in that local labour market.

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<sup>44</sup> Australian Government, Productivity Commission Research Report, Mutual Recognition Schemes, September 2015.

<sup>45</sup> Ibid.

## The Canadian System for Foreign Workers' Work Authorization

*There are two streams of work authorization in Canada: one, temporary foreign worker authorization is based on employer demand to fill specific jobs; and two, international mobility worker authorization is based largely on bilateral agreements with other countries and reciprocity.*

International Mobility Programs (IMP)	Temporary Foreign Worker Program (TFWP)
Objective: To advance Canada's broad economic and cultural national interest	Objective: Last resort for employers to fill jobs for which qualified Canadians are not available
Not based on employer demand	Based on employer demand to fill specific jobs
Based largely on multilateral/bilateral agreements with other countries (e.g. NAFTA, GATS)	Unilateral and discretionary
No Labour Market Impact Assessment required	Employer must pass Labour Market Impact Assessment
Based largely on reciprocity	No reciprocity
Majority are high skill / high wage	Majority are low-skilled (i.e. farm workers)
Workers and reciprocity are deemed to be in the national economic and cultural interest.	Last and limited resort because no Canadians are available.

Source: Government of Canada, Overhauling the Temporary Foreign Worker Program: Putting Canadians First, 2015. Available at [http://publications.gc.ca/collections/collection\\_2015/edsc-esdc/Em4-1-2015-eng.pdf](http://publications.gc.ca/collections/collection_2015/edsc-esdc/Em4-1-2015-eng.pdf)

As new measures are developed to facilitate cross-border access to labour markets, a compelling rationale for such access must be developed with clear and relevant supporting data. Without accurate, up-to-date data showing that demand exceeds local supply, the need for cooperative cross-border programs can be easily dismissed. Opponents can argue that a supply problem no longer exists or never existed in the first place.

Furthermore, a 'default' protectionist bias in local communities, especially those that have suffered economic setbacks with serious job losses, can also interfere with and oppose cooperative cross-border labour mobility efforts. The hurdles to cross-border cooperation and labour mobility can be daunting—or even overwhelming.

We recognize, however, that challenges to predicting future labour market demand can be difficult. Some types of labour demand, for example, are linked to short-term cycles – like seasonal employment that are predictable, or unexpected changes in the business cycle that aren't. An illustration of the latter was the collapse of oil prices in 2015 from the fracking-induced supply glut causing a major reduction in demand for oil field and infrastructure workers.

Other types of labour demand are more systemic and linked to more predictable cycles. One highly relevant example is the response of the labour market to the needs of baby boomers. As the demographic bulge of the baby boomers has moved across the span of time, the demand for the different types of workers specializing in their needs has waxed and waned in a steady, predictable progression of birth, adolescence, marriage, and childbearing, and is now entering its twilight years.

In Canada to assure that fair labour market conditions exist for employing temporary foreign worker programs, labour market impact assessments are required. The process of Labour Market Impact Assessments (LMIA) includes a comprehensive compliance and inspection regime that aims to ensure that employers hiring temporary foreign workers are complying with the terms and conditions of the LMIA in terms of wages, working conditions, location of work, ensuring a workplace free of harassment, health and safety etc. Inspections can be random, based on previous non-compliance or from a complaint against the employer. An inspection may delay current or future processing and employers found non-compliant may be placed on a public "black list."

## **4.0 Conclusion: Facilitating Cross-Border Labour Mobility in Pursuit of a Global Future**

## 4.0 Conclusion

While we are faced with growing anti-free trade rhetoric, globally-minded, companies, start-ups, and entrepreneurs see a distinct need to facilitate labour mobility across borders. The renegotiation of NAFTA, as well as the reinvigorated economic agenda between the states and provinces, holds a substantial opportunity to make changes.

The objective of facilitating worker mobility should start with a modern list of occupations that qualify for market access, as the current NAFTA professional list is woefully outdated and inadequate, and needs to be improved and expanded. Skilled workers aren't even included in the agreement.

The economic logic is compelling. Canada is the U.S.' biggest export market, and the integration of the U.S. and Canadian economies has intensified in myriad ways and from the intricacy and deepening of Regional supply chains. Nearly 9 million American jobs depend on Canadian commerce, according to a recent study done for the Canadian Embassy.<sup>46</sup>

This epitomizes the benefits of mutually profitable economic integration. This integration is accomplished through collaborative relationships between people at companies and suppliers in Canada and the U.S. Impeding the cross-border mobility of workers at these companies pursuing their North American market activities makes no economic or social sense at all. In fact, it is counterproductive and causes economic losses.

## 4.1 A Path Forward

In an important 2008 strategy paper, *The Vital Connection: Reclaiming Great Lakes Economic Leadership in the Bi-National U.S.-Canadian Region*, the Brookings Institution advocated a Great Lakes regional model which, among other things, would define a U.S.-Canada Border of the future and develop a shared vision for it.

To increase the economic competitiveness of the Great Lakes Region and show robust leadership in the multi-sectoral global marketplace, it was argued, people with their skills and credentials needed seamless borders in the binational region to pursue their economic opportunities. That's even more the case today than nine years ago.

Calling for a Common Market for Commerce and Human Capital (not unlike the Australia-New Zealand agreement), a flexible marketplace for labour mobility and education in the Region would be the overriding goal.

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<sup>46</sup> Peter B. Dixon and Maureen T. Rimmer, *The Dependence of U.S. Employment on Canada*, 2013 Centre of Policy Studies, Victoria University, December 3, 2014.

This elevation of labour mobility and education without restrictive international borders would thrust the Great Lakes-St. Lawrence Region economy forward and take the Regional economy to the next level.

Although the Beyond the Border Action Plan did facilitate the movement of 'trusted travelers', overall actions under the Plan were too tentative and limited to adequately meet the needs of robust cross-border business growth and labour mobility.

The robust implementation of something like the Brookings blueprint with a trusted employer and a NEXUS-like trusted worker initiative, when combined with a mutual recognition agreement, or a Great Lakes compact, dealing with credentials at the sub-national level, could accelerate the Region's quest for global economic leadership and success in the 21<sup>st</sup> century knowledge economy.

## **About the Council of the Great Lakes Region** (<https://councilgreatlakesregion.org>)

The Council is a non-partisan, non-profit, bi-national organization committed to deepening the United States-Canada relationship in the Great Lakes-St. Lawrence Region, defined by the border states of New York, Pennsylvania, Illinois, Michigan, Minnesota, Ohio, Wisconsin and Indiana and the provinces of Ontario and Quebec. The goal of the Council is to create a stronger, more dynamic culture of collaboration in harnessing the Region's economic strengths while enhancing the well-being of its citizens and protecting the environment for future generations.

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## **About the Author**

J. D. Snyder has been a policy researcher, analyst, and entrepreneur for over 30 years. He served as Governor James J. Blanchard's second Director of the Michigan Office of the Great Lakes (1988-90) after having acted as the Governor's environmental health policy advisor. He also served on the Great Lakes Commission where he chaired two task forces. Since 2008, he created and headed up a number of binational regional collaboration projects in support of innovative economic development with U.S. Economic Development Administration (EDA) and Michigan State University Institute of Public Policy and Social Research funding support.

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## **About the Northern Policy Institute (NPI)**

NPI is Northern Ontario's independent think tank. We perform research, collect and disseminate evidence, and identify policy opportunities to support the growth of sustainable Northern Communities. Our operations are located in Thunder Bay, Sudbury and Sault Ste. Marie. We seek to enhance Northern Ontario's capacity to take the lead position on socio-economic policy that impacts Northern Ontario, Ontario, and Canada as a whole.

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