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Research Internship Insights Series | Policy Brief

NAVIGATING THE SYSTEM

CREDENTIAL RECOGNITION, LABOUR MARKET INTEGRATION, AND PERMANENT RESIDENCY PATHWAYS FOR INTERNATIONAL STUDENTS AND IMMIGRANTS IN CANADA

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Executive Summary

Canada increasingly relies on international students and immigrants to address labour shortages and support economic growth. However, many newcomers face significant barriers when transitioning from temporary status to permanent residency (PR). Challenges such as inconsistent credential recognition, the "**Canadian experience**" requirement, overqualification, and fragmented support systems limit equitable access to employment and long-term settlement opportunities.

Although international students are often viewed as ideal candidates for immigration, many struggle to secure the skilled work experience necessary for PR eligibility. Current immigration and labour market policies therefore create systemic barriers that contribute to underemployment and delayed integration. This policy brief argues that Canada must reform credential recognition systems, improve labour market access, and strengthen coordination among governments, educational institutions, employers, and immigrant-serving organizations. These reforms would improve fairness, support economic productivity, and create more realistic and equitable pathways to permanent status and long-term integration.

Policy Issue

Canada's immigration system increasingly depends on international students and skilled immigrants to meet labour market needs and demographic pressures. At the same time, recent federal immigration reforms have introduced stricter caps on temporary residents and study permits, creating uncertainty for many newcomers seeking permanent residency (Hunter et al., 2025). The federal government has also announced plans to reduce the non-permanent resident population to 5% by 2027, further tightening opportunities for transition to permanent status (Graham & Pottie-Sherman, 2026).

Despite being encouraged to study and work in Canada, many international students encounter barriers when attempting to secure permanent residency. Immigration pathways are highly dependent on obtaining skilled Canadian work experience, yet systemic labour market barriers often prevent newcomers from accessing appropriate employment. Consequently, many immigrants and international graduates become trapped in low-paying or survival jobs despite possessing advanced education and qualifications.

The issue extends beyond immigration policy alone. Challenges associated with credential recognition, labour market integration, and inconsistent support systems reflect broader structural problems involving multiple stakeholders, including federal and provincial governments, educational institutions, employers, professional regulatory bodies, and immigrant-serving organizations. These challenges are reinforced by fragmented governance and limited coordination across systems responsible for education, employment, and immigration integration. Without coordinated reform, Canada risks underutilizing highly skilled talent while simultaneously facing ongoing labour shortages.

Background and Evidence

Credential Recognition and Underemployment

Foreign credential recognition (FCR) remains one of the most significant barriers affecting immigrants and international students. Skilled newcomers frequently encounter challenges when attempting to transfer professional qualifications into the Canadian labour market.

Mahboubi and Zhang (2025) reported that 26.7% of recent immigrants with a bachelor's degree or higher work in positions requiring only a high school diploma, a rate significantly higher than Canadian-born workers. Additionally, immigrants working in regulated professions often face a circular problem in which employers require Canadian experience for licensing or hiring, while newcomers cannot gain Canadian experience without first securing employment or certification.

Government of Canada evaluations of the Foreign Credential Recognition Program found that 39% of surveyed skilled newcomers were not employed in fields related to their qualifications (Government of Canada, 2025). Participants identified several major barriers, including:

- Complex licensing examinations
- Limited information about credentialing processes
- Requirements to return to school
- Non-recognition of international qualifications

As a result, many immigrants experience overqualification and long-term underemployment despite possessing advanced skills and professional experience.

International Students and the "Edugration" Model

Canada's immigration system has become increasingly connected to its higher education sector, a relationship often described as "edugration" (Brunner, 2022). International students are frequently encouraged to view Canadian education as a potential stepping stone toward permanent residency. In practice, post-secondary education has therefore become more than an academic pathway; it also functions as an informal mechanism through which Canada attracts and evaluates prospective residents. However, completing a Canadian credential does not guarantee permanent residency, successful labour market integration, or employment that matches a graduate's education and skills.

Although employment rates among international graduates remain relatively high, disparities persist. Statistics Canada (2025) found that the employment rate for international student graduates was 88.6%, compared with 91.0% for Canadian-born graduates. In addition, international bachelor's graduates earned a median annual income of $52,000, approximately 20% lower than Canadian graduates earning $65,200 three years after graduation (Statistics Canada, 2025).

These disparities demonstrate that obtaining a Canadian credential alone does not eliminate labour market barriers. Many newcomers continue to face difficulties securing employment that aligns with their education, qualification and professional experience.

Background and Evidence

The barriers faced by immigrants and international students are reinforced by fragmented governance structures. Responsibility for immigration, education, labour market integration, and credential recognition is divided among multiple stakeholders with differing priorities and mandates.

Federal Government and IRCC

The federal government, particularly Immigration, Refugees and Citizenship Canada (IRCC), plays a central role in designing immigration pathways and funding integration programs. Programs such as the Foreign Credential Recognition Program aim to improve labour market integration by supporting credential assessment and professional recognition processes (Government of Canada, 2025). However, coordination challenges across provinces and regulatory bodies continue to slow integration of outcomes.

Educational Institutions
Post-secondary institutions benefit significantly from international student enrollment and often promote Canadian education as a pathway to permanent residency. Nevertheless, institutions have limited responsibility for labour market outcomes after graduation. Many international graduates continue to face barriers to accessing skilled employment despite holding Canadian credentials.

Employers and Regulatory Bodies
Employers and professional regulators contribute to labour market barriers through hiring practices that prioritize Canadian experience and through lengthy licensing requirements. These practices can exclude qualified newcomers from regulated professions and skilled employment opportunities.

Immigrant-Serving Organizations
Immigrant-serving organizations (ISOs) provide critical settlement, employment, and credential support services. These organizations help newcomers navigate immigration systems and employment pathways. However, limited funding and policy authority restrict their ability to address structural barriers within immigration and labour market systems.

Policy Analysis

Current immigration and labour market policies create contradictory expectations for international students and immigrants. Canada actively recruits international talent while simultaneously maintaining systematic barriers that prevent many newcomers from achieving successful labour market integration and permanent residency.

The immigration system places significant emphasis on skilled Canadian work experience as a requirement for permanent residency. However, labour market barriers—including credential recognition issues, lack of Canadian experience, and professional licensing restrictions—prevent many newcomers from obtaining the experience necessary to qualify for immigration programs.

This creates a systemic mismatch between immigration objectives and labour market realities. International students are encouraged to invest in Canadian education and contribute to the economy, yet many remain excluded from stable employment pathways after graduation. Similarly, highly educated immigrants are often unable to fully utilize their professional skills due to regulatory and institutional barriers.

The fragmented nature of governance further intensifies these challenges. Federal immigration policies, provincial labour regulations, educational institutions, and professional bodies operate independently rather than through a coordinated integration strategy. Consequently, newcomers must navigate a complex and disconnected system that often lacks transparency and consistency.

Policy Recommendations

To improve labour market integration and permanent residency pathways for immigrants and international students, Canada should pursue reforms in four key areas.

1. Reform Credential Recognition Systems
Federal and provincial governments should collaborate with professional regulatory bodies to streamline foreign credential recognition processes. Policies should reduce unnecessary licensing delays and improve transparency regarding professional requirements. Governments should also invest in faster assessment systems and alternative pathways for internationally trained professionals. Since Canada does not bear the cost of educating internationally trained workers, improving credential recognition represents an economically strategic investment.

2. Eliminate the "Canadian Experience" Requirement
Employers and regulatory bodies should remove hiring practices that unfairly prioritize Canadian work experience over international qualifications. Research demonstrates that the Canadian experience requirement contributes significantly to underemployment and "career scarring" among immigrants (Bozheva, 2024).
Governments should encourage equitable hiring practices through policy incentives, anti-discrimination measures, and labour market education initiatives.

3. Strengthen Coordination Across Stakeholders
Federal and provincial governments, educational institutions, employers, and immigrant-serving organizations should adopt a coordinated transition strategy that better aligns education, employment, and immigration systems.
Educational institutions should provide stronger employment transition supports for international students, while governments should increase funding for immigrant-serving organizations that assist newcomers with settlement and labour market integration.

4. Include Immigrants and International Students in Policy Design
Immigrants and international students should play a meaningful role in the development and evaluation of immigration and labour market policies. Policymakers should incorporate lived experiences into policy planning to ensure that programs reflect real transition challenges faced by newcomers.
A more inclusive approach would improve policy effectiveness and strengthen trust between institutions and newcomer communities.

5. Develop a National Transition Strategy for International Students and Skilled Immigrants
Federal and provincial governments should establish a coordinated national transition strategy that aligns immigration policy, post-secondary education, labour market integration, and credential recognition systems. The strategy should include shared accountability measures across governments, educational institutions, employers, and regulatory bodies to support smoother transitions from temporary status to long-term settlement and skilled employment.

Conclusion

Canada's immigration and labour market systems continue to create significant barriers for immigrants and international students seeking permanent residency and meaningful employment. Weak credential recognition systems, restrictive hiring practices, and fragmented governance structures contribute to overqualification, underemployment, and delayed integration outcomes.

These challenges are becoming increasingly urgent as Canada tightens immigration targets while continuing to rely on international talent to address labour shortages and demographic change. Current systems risk excluding highly skilled newcomers from fully contributing to Canadian society and the economy.

Reforming credential recognition systems, eliminating unfair labour market barriers, strengthening stakeholder coordination, and including newcomers in policy development would create more equitable and realistic pathways to permanent residency. Such reforms would not only improve fairness for immigrants and international students but also strengthen Canada's long-term economic and social development.

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About the Authors

Danayal Paracha earned his B.A. in Sociology, with a minor in Communications and Social Innovation, from Mount Royal University in 2023. During his final year, he completed a team-based research project in a civic innovation course, collaborating with local immigrant-serving organizations (ISOs) to explore newcomer experiences, understand community needs, and develop meaningful solutions—an experience that sparked his enduring interest in the sector.

Passionate about research, collaboration, and civic engagement, Danayal stays actively involved in his community by volunteering with local nonprofits, building connections, and raising awareness about important social issues. He joined the TIES Centre for Immigrant Research as a Research Intern in 2026.

About the Centre

TIES Centre for Immigrant Research (TCIR) is a community-based research centre that generates evidence that informs policies, programs, and practices to strengthen immigrant settlement, integration, and community well-being across Canada. Our work is organized around three interconnected areas:

Community-Based Research
Generating actionable evidence to address community challenges and inform policy and practice.

Program Development & Innovation
Translating research into practical, evidence-informed programs, resources, and solutions.

Policy & Knowledge Mobilization
Mobilizing research to inform policy, build capacity, and empower communities.

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