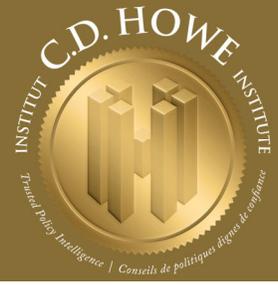


# Intelligence MEMOS



From: Ian O'Donnell and Mikal Skuterud  
To: Canadians Concerned about the Labour Market  
Date: June 23, 2022  
Re: CANADA'S TEMPORARY FOREIGN WORKER DATA SHORTAGE

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Despite repeated policy efforts to curtail employer reliance on temporary foreign workers (TFWs), we estimate that their share of Canadian employment increased more than six-fold since 2000, reaching more than 5 percent by 2019.

Tracking TFW jobs in terms of occupations and locations has not kept pace, making it impossible for researchers to credibly evaluate the labour market effects.

With continued growth in international student enrolments and the federal government's [recent decision](#) to reverse restrictions on employer access to TFWs that were introduced in 2014, every indication is that the contribution of TFWs to Canadian labour force growth will expand further in the months and years ahead.

While the [business case](#) for eased access to TFWs is clear, the [economic case](#) for relying on the TFW expansions to address labour shortages, especially among lower skilled workers, is problematic. With few exceptions, research examining the wage and employment effects of immigration identifies adverse impacts on workers competing for jobs in the same labour markets, especially earlier immigrants. If there is controversy about these effects, it is about their magnitude, not their existence.

More important, there is [good reason](#) to believe these adverse effects are larger in the case of TFWs whose work permits often tie them to a single employer and who are incentivized to tolerate substandard wages and working conditions by the prospect of a successful application for permanent residency status. TFWs' earnings are also [less likely](#) to be spent on local goods and services – remittances home eat up much income – thereby limiting the beneficial demand-side general equilibrium effects that are believed to mitigate the adverse labour markets effects of immigration.

To mitigate the crowding out effects of guest worker programs, many countries, including Canada, rely on labour market tests (LMTs) – known as a labour market impact assessment (LMIA) in Canada – requiring employers to show that they have made sufficient efforts to fill job vacancies domestically. Our [analysis](#) shows that TFW entries between 2015 and 2019 were indeed concentrated in labour markets where the ratio of job vacancies to unemployed workers was higher.

However, in response to growing controversy over reports of employers using TFW programs as a permanent profit-maximizing business strategy, in 2014 the government separated entries that do not require a labour market test into a new program, known as the International Mobility Program (IMP.) We find that 92 percent of the growth in TFW entries between 2000 and 2019 was in the IMP. If we also include foreign students – who have been permitted to be employed off-campus since 2006 and since 2016 without the need to obtain a work permit – we estimate that 96 percent of the overall growth in temporary resident employment is exempt from labour market tests.

Given the [potential](#) for TFW entries to suppress wage growth and discourage employer investments in employee training and new technologies to boost labour productivity, it is critical that researchers are able to evaluate the causal impacts of Canada's TFW programs. This requires data that identifies the labour markets in which TFWs are employed, especially in terms of occupation and job locations.

Unfortunately, neither Employment and Skills Development Canada (ESDC), which is responsible for labour market tests, or Immigration, Refugees and Citizenship Canada (IRCC), which is responsible for issuing work permits, track the employment activity of foreign students or the vast majority of temporary foreign workers who hold IMP permits.

Statistics Canada's Census and Labour Force Survey, both of which include non-permanent residents in their sampling frames, could be alternate data sources. However, in order to exclude short-term visitors, respondents who report that the residence where they have been contacted by Statistics Canada is not their "usual place of residence" are not surveyed.

This means that while the immigration department listed 621,565 study permit holders last December 31, StatsCan's Labour Force Survey estimated the entire non-resident population aged 15-24 was only 233,900 on that date. While there are multiple potential sources for this discrepancy, its magnitude suggests Statistics Canada's data are systematically failing to capture the temporary resident population who are studying and/or working in Canada.

As the contribution of TFWs to Canada's labour force continues to grow there is a growing imperative for greater transparency in the IMP streams and foreign student employment. We need to observe the labour markets in which all TFWs are employed. We also need quarterly reports of TFW employment, as opposed to the annual December 31 figure, to capture seasonal variation in TFW employment. Finally, estimates of transition rates from temporary to permanent residency by program streams and migrants' years since first arrival should be a standard IRCC data product.

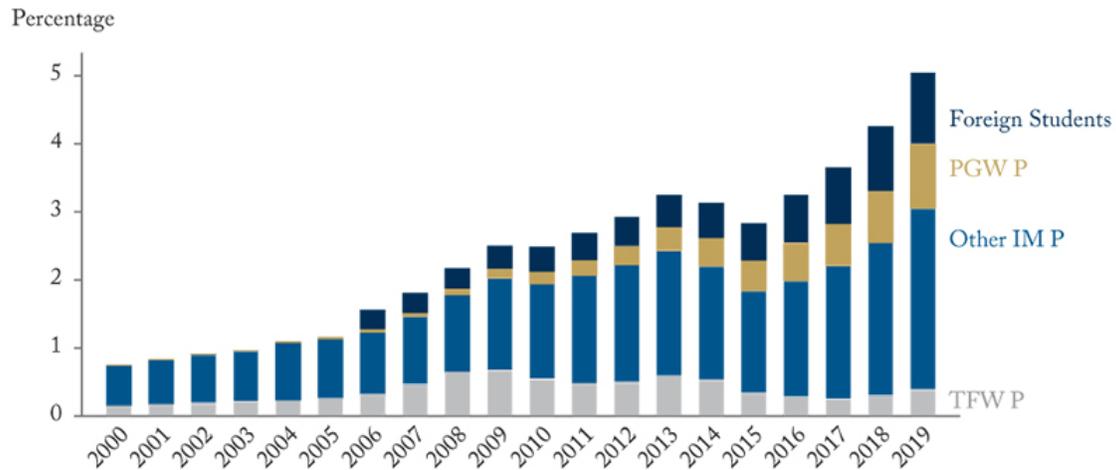
Responsibility for administering LMTs has always belonged to ESDC. All indications are that LMT-exempt entries will continue to grow in the years ahead. There is no prima facie reason to believe that they will not have crowding effects on the wages and employment rates of domestic workers competing for jobs in the same labour markets. If these effects are not going to be assessed in advance through LMTs, they at least need to be evaluated afterwards.

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## Temporary Residents Share of Canadian Employment



Notes: PGWP is the Post-Graduate Work Permit Program and TFWP is the Temporary Foreign Worker Program.

Sources: Foreign student employment is estimated by combining IRCC data on the number of valid study permits on December 31 of each year and foreign student employment rates of 0% for 2000–2005 (off-campus employment was restricted before April 2006), 27.8% for 2006–2015, and 31.5%. These employment rates are estimated using the 2006 and 2016 Census PUMFs. PGWP, Other IMP, and TFWP employment are counts of work permit holders on December 31 of each year published by IRCC at <https://open.canada.ca/data/>.