

# Intelligence MEMOS



From: Mikal Skuterud

To: Labour Market Observers

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Re: WHO'S WORKING IN CANADA? WHY WE DON'T REALLY KNOW

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In 2022, Canada's population grew by more than 1 million people for the first time in its history.

Although Ottawa's ambitious targets for new permanent residents receive much attention, the reality is that 58 percent of 2022's record-breaking population increase came from temporary residents.

These are workers, students and asylum claimants authorized to enter Canada temporarily through work permits, study visas or temporary resident visas. To understand the impact on the economy of this growing population, we need high-quality data on its size.

The growth in temporary residents largely reflects a deliberate policy shift since 2010 to "two-step immigration," whereby permanent residency applicants are prioritized in immigrant selection if they have Canadian work experience. Consequently, they have an incentive to work here.

Historically, legal work was limited to holders of work permits – so-called temporary foreign workers – but since March 2003 eligible foreign students have been allowed to work off-campus. And since June 2014, no work permit has been required. Since entries of work permit and study permit holders have increased at a faster rate than Canada's labour force over the past decade, we expect the temporary resident contribution to Canadian employment to have increased in an important way, but how much is unclear.

My new C.D. Howe Institute [E-Brief](#) updates last year's [analysis](#) aimed at shedding light on the extent to which the Labour Force Survey – Statistics Canada's flagship survey for labour market activity – might be an underestimate.

I do this by using two data sources: the Labour Force Survey, which samples Canadian households every month and identifies the work activity of individuals aged 15 and older; and the immigration department's administrative data on the number of study and permit holders on December 31 each year.

For multiple reasons, both sources are likely to provide biased estimates.

There is little ambiguity regarding the direction of bias in each data source, but the bias is in opposite directions. The Labour Force Survey almost undoubtedly underestimates temporary resident employment while administrative data certainly overestimates it.

One can be confident that the range in the two estimates bounds the truth, but the margin of difference between them has grown fivefold since 2006, putting labour market analysts increasingly in the dark.

Although it is impossible to quantify the magnitude of bias with any precision, the Labour Force Survey is expected to underestimate the number of temporary residents for two main reasons. First, it is designed to exclude individuals, such as tourists, whose usual place of residence is not in Canada. Hence, when new addresses are first contacted – almost entirely by phone since March 2020 – people are asked if they have been contacted at their "usual place of residence." Only those who say "yes" are surveyed. When they, unsurprisingly, say their Canadian home is not their "usual place of residence," they are not sampled. Second, since temporary residents are, by definition, more transient they are more difficult to reach by survey.

In contrast, the December 31 administrative data undoubtedly produce an overestimate. There are three main sources of upward bias.

First, many permit holders, students for instance, might not be working the entire time. To the extent that they were not, in fact, employed on December 31, the estimates based on administrative data are not comparable with the December Labour Force Survey estimates.

Second, it is likely that some leave Canada before their permits expire, or perhaps never enter Canada in the first place. The Canada Border Services Agency tracks all entries and departures from Canada, but the immigration department does not use that data in its estimate.

Third, some temporary residents might hold work and study permits simultaneously, which can result in a double count.

It is imperative and urgent that Statistics Canada and the immigration department revise their data collection. The question is how to do it.

The critical issue is to determine which temporary residents to include in the Labour Force Survey's sampling frame. Individuals who hold visitor permits can now get work permits without leaving the country, which means the line distinguishing short-term visitors from temporary foreign workers is becoming increasingly fuzzy. This suggests that the "usual place of residence" question intended to distinguish between residents and visitors is creating unnecessary ambiguity. A partial solution might be to amend the survey question with "usual place of residence *in Canada*."

Another option is ask whether respondent holds a temporary resident permit and, if so, what type. All holders of work and study permits should be included, since both groups are legally allowed to work in Canada. Of course, the Labour Force Survey, and other Statistics Canada surveys, will always struggle with their samples. Response rates were, on average, 87 percent in 2019, but dropped below 70 percent in 2020 and have remained below 75 percent since. Data quality, therefore, will hinge increasingly on the accuracy of both sampling weights and Statistics Canada population estimates.

Finally, many important research questions require information on how long foreign-born individuals have been living in Canada, so the survey should also query the year and month in which respondents first arrived in Canada.

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