CANADA'S TEMPORARY FOREIGN WORKERS PROGRAMS

ABSTRACT

This article briefly examines the Temporary Foreign Worker (TFW) programs and details potential costs and benefits that TFWs may represent for the Canadian labour market. It then outlines some recent research that shows that TFWs have had strong labour market outcomes in Canada. Finally, it discusses the new Canadian Experience Class and present findings that suggest that immigrants entering under this class will obtain economic success.

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When examining economic issues that impact foreign-born workers in Canada, researchers have tended to focus on immigrants. However, another group of foreign-born workers, namely temporary foreign workers (TFWs), has long been an important source of labour used to meet skills shortages in many sectors of the Canadian economy. Yet there is little data regarding the labour market outcomes of TFWs and the impact of the various TFW programs on the Canadian economy, and there has been little economic analysis of the structure of the programs and their interactions with other government and private initiatives. With the recent expansion of TFW programs and the introduction of the Canadian Experience Class, under which TFWs can now apply to become permanent residents, the need to address these issues has become a priority.

In this article, we provide a brief overview of TFW programs, and detail how the size of the overall program has changed over the past 25 years. We also highlight some potential costs and benefits that TFWs may represent for Canadian labour, and then examine how well TFWs have performed in Canada in terms of earning outcomes. Finally, we provide an outline of the new Canadian Experience Class, and summarize recent research on the economic outcomes of immigrants who held a work visa prior to immigration.

A brief description of Canada's TFW programs

There is not one, but rather a set of TFW programs, that can be roughly broken down into groupings of less- and high-skilled occupations.[1] Moreover, a number of TFWs can best be thought of as not fitting into any of the formal programs. In many situations, in order to be granted a work permit, a job offer must first be extended, and a positive Labour Market Opinion issued by Human Resources and Skills Development Canada (HRSDC) is required for some occupations and types of workers.[2]

The Labour Market Opinion is required in order to protect permanent residents from foreign competition. Normally, the employer must guarantee that a permanent resident cannot be found to do the job. HRSDC investigates the availability of permanent residents to fill the position and whether hiring the foreign worker will be beneficial to permanent residents. HRSDC also has the responsibility of ensuring that the occupational standards and wages provided to the TFW correspond to what a permanent resident would obtain for comparable employment; in some cases, additional stipulations are included. Assuming that a positive Labour Market Opinion is rendered by HRSDC, Citizenship and Immigration Canada (CIC) may issue a work permit.

It is a very complex system. There is a large amount of variation in terms of the history and operation of each program. Also, the programs' timeframes and general objectives differ greatly. We now briefly describe each of the main programs.[3]

Seasonal Agricultural Worker Program (SAWP)

Formalized in 1966, the SAWP allows employers to hire TFWs for up to eight months per year to deal with shortages in the agricultural sector in Canada. Originally an agreement between Canada and Jamaica, the SAWP has expanded to cover other Caribbean countries and Mexico. While SAWP applies in all provinces except Newfoundland-and-Labrador, the majority of workers in this program are currently employed in Ontario. In addition to promising to ensure that minimum work standards are met, employers must also provide other services, such as housing.

Live-in Caregiver Program

Originally called the Foreign Domestic Movement Program when it was established in 1981, this program institutionalized the entrance of temporary domestic workers in Canada. Workers under this program care for children, the elderly or the disabled, and must live in the home where they work. Since 1992, the minimum requirements for such workers are:

- Completion of formal education equivalent to a Canadian high school degree;
- English or French language ability;
- Either six months of full-time training, or 12 months of paid work experience related to the job.

Live-in caregivers are able to apply for permanent resident status after working for 24 months over a three-year period.

Pilot project for occupations requiring lower levels of formal training

Called the Low-skilled Worker Pilot Program when it was first created in 2002, this program allows employers to hire workers for certain low-skill occupations (NOC C and D) that usually require a high school diploma or two years of work experience. Changes in 2007 extended the maximum duration of the permit from 12 to 24 months. In order to get a subsequent work permit under the Low-Skilled Pilot Project, the worker must return to his or her home country for at least four months.

Temporary Foreign Worker Program – High-skilled workers

High-skilled workers in managerial and professional occupations (NOC O or A) as well as technical occupations and skilled trades (NOC B) can be hired to meet short-term labour shortages. Many aspects of this program are beneficial to TFWs, such as spousal work permits.

Other "programs" and other TFWs

A large number of TFWs do not fit into these four categories. There are many occupations for which foreign residents do not require a work permit, such as athletes, academics and students working on campus. Some occupations require a work permit, but not a Labour Market Opinion. Also, under certain trade agreements, workers in certain occupations are not required to obtain work permits or undergo a Labour Market Opinion (e.g. Business Visitors from the U.S. or Mexico who enter under NAFTA); in fact, they are not always registered and their numbers are not known.

Some temporary residents can also work without restrictions on the type of employment they obtain. For example, spouses of TFWs authorized to work in Canada for at least six months and employed in skilled trades, or in managerial, professional or technical occupations, are able to obtain a work permit without a Labour Market Opinion. The work permit is open and for the same duration as the primary TFW's permit. Spouses of students are also able to obtain such work permits.

While the TFW programs are diverse, for the most part they share the same function of improving the efficiency of the Canadian economy by addressing labour shortages that would not otherwise be filled by permanent residents.

Size of the TFW program

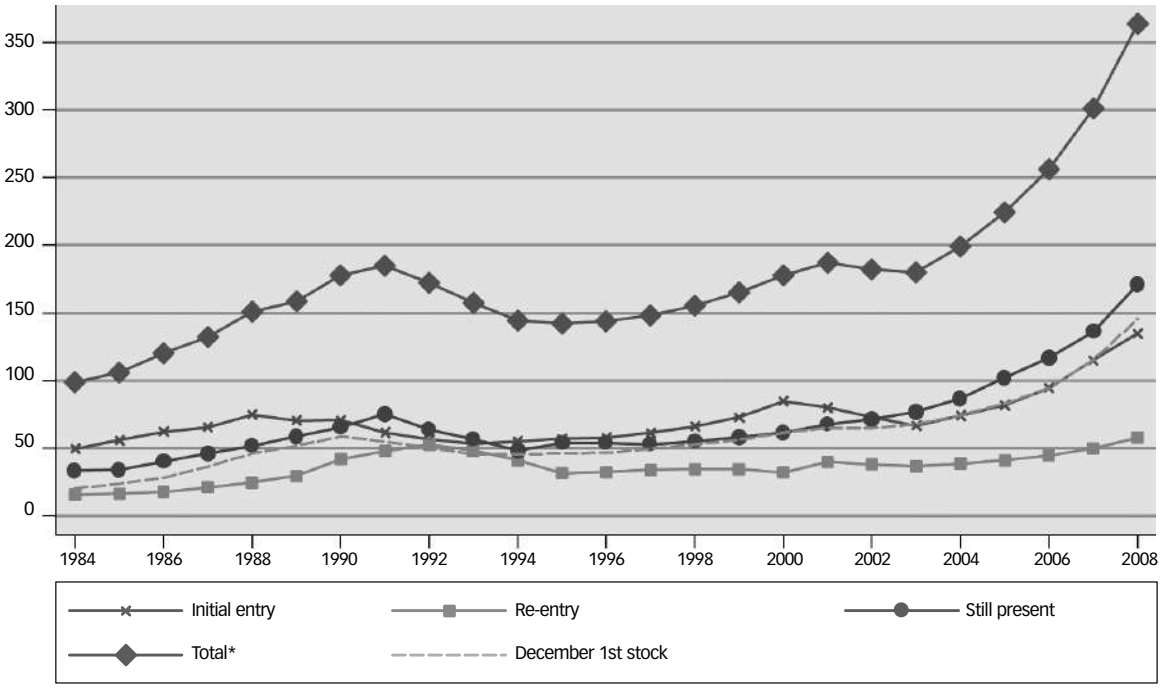
In Figure 1, we plot the number of TFWs from 1984 to 2008. The data underlying these plots comes from CIC's *Facts and Figures: Immigration Overview Permanent and Temporary Residents 2008* (2009). As such, TFWs are even more narrowly defined than if one was only counting those who hold a work permit. They are defined as non-permanent residents whose main reason for being in Canada is to work and who have obtained a work permit from CIC.[4] Hence, those individuals who hold both a student visa and a work permit are not counted here. Categories in this data set include "initial entries" – i.e. individuals who initially arrived as temporary residents at any time during the year, while "re-entries" left Canada during a previous year and returned at some point during the year in question. The "still present" are those deemed to still be working in Canada at the start of the year, and the "total" curve is the sum of these three groups; it represents the total number of TFWs in the country at some point in the year. An alternative measure, also depicted on the plot, is the stock on December 1st.

On December 1st 1983, there were around 35,000 TFWs in Canada; this increased greatly over the following 25-year period. By 2007, there were over 200,000 TFWs in Canada.

Looking at the total number of TFWs in Figure 1, it is apparent that their annual count (even using this narrow definition) is comparable in magnitude to the annual new immigrant flow, and that the size of TFW programs has increased greatly over the last 25 years. In 1984 there were approximately 100,000 TFWs in Canada at some point in the year. This number increased during the expansionary phase of the business cycle in the mid-1980s, but then dropped somewhat during the recession of the early 1990s. The numbers grew slowly during the mid- to late 1990s, and then increased massively after 2003. The number of TFWs increased from about 180,000 a year in the early 2000s to over 350,000 in 2008.[5] Clearly, the magnitude of the flow is increasing and is sensitive to business cycles.

The stock of TFWs present in Canada on December 1st, as seen in Figure 1, is an entirely revised data series in the 2009 publication with a much tighter definition than in previous years' releases. On December 1st 1984, there were just over 20,000 TFWs in Canada; this increased greatly over the following 25-year period. By 2008, there were over 145,000 TFWs in Canada. The largest increase started in 2004,

Figure 1
Annual flow and December 1st stock of temporary residents ('000s)



*Total = Initial entry + Re-entry + Still present

Source: Citizenship and Immigration Canada (2009).

likely reflecting the greater demand for foreign labour in Canada, particularly in Alberta, Ontario and British Columbia, and the Federal government's change in procedures, the expansion of programs and the loosening of restrictions on hiring foreign workers. Although the number of TFWs has risen considerably over the past 25 years, it is likely to fall now that Canada has entered a recession, the unemployment rate has increased, and as the demand for labour decreased. If it does not, then it would be worth looking more carefully at the operation of the Labour Market Opinion process.

Potential costs and benefits of TFW programs

With the expansion of TFW programs, it is increasingly important to assess what role these programs play in the Canadian economy. Of course, these roles and their benefits may well change over the business cycle. Although the various TFW programs differ in many respects, the common theme of the more formalized programs is that they bring foreign workers to Canada to fill labour shortages, and the goal in doing so is to allow the economy to operate more efficiently. However, remarkably little is known about the impact of TFW programs on the Canadian economy.

In the absence of direct evidence, the related research focusing on permanent immigrants might provide useful insight on the matter. This literature finds mixed results for both labour market integration and the economic impact of immigrants on the domestic economy. In terms of integration, as is well known, new immigrants' labour market outcomes have declined appreciably during the past two decades or so. Moreover, a reasonable average of the various views regarding the current impact of new immigration on the domestic economy would be the following: "small and positive." See Sweetman and Warman (2008) for a discussion of the relevant research literature pertaining to both these issues.

Gauging the impact on the domestic economy of TFWs based on the impact of immigrants in general might, however, not be fully informative, given the very different selection processes involved, as well as the different roles these two groups play in the Canadian economy. Furthermore, TFWs have a more exclusively economic rationale, whereas permanent immigration is also motivated by humanitarian, family and other social and nation-building priorities, where economic implications are sometimes only an ancillary consideration. The added complexity of the new, and yet to be experienced, Canadian Experience Class makes understanding the situation in the future even more difficult.

Overall, it seems plausible that TFW programs could yield greater economic benefits and pose greater risks than might permanent immigration. It holds the possibility of having both greater positive and negative spillovers and/or externalities capable of impacting the domestic economy. The Context, as well as quality of management, probably matter more in terms of TFW programs than they do for permanent immigration.

Fundamentally, and as with permanent immigration, assessing the impact of TFWs presupposes determining whether these workers act as complements to existing factors of production – for example, by reducing bottlenecks in the economy – or as substitutes. Of course, it is likely

that many TFWs are both complements and substitutes in various sectors of production, and the net effect varies across the population. Hence economic actors with different perspectives may, quite justifiably, have different interests and have very different views on the impact that TFW programs have on them. One key concern on which the government has historically acted is the fear that TFWs might displace domestic workers and bid down wages for permanent residents. TFWs are therefore usually required to obtain a Labour Market Opinion to ensure that there are no Canadians available to perform the job in question at the going rate. There remain, however, those who argue that TFWs compete with Canadians for jobs, thereby exerting downward pressure on wages and increasing unemployment. More subtly, for example, Green (2003), referring to immigrants, suggests that bringing in high-skilled workers in particular may dissuade Canadians from seeking advanced training. By filling jobs that are in high demand, especially high-skilled jobs, the presence of TFWs may distort market signals, and relative prices, and discourage Canadians from obtaining the required human capital necessary to be eligible for such occupations.

The Regional Lists of Occupations Under Pressure (ROUP) list was created in December 2006 to make it easier for employers in occupations that had immediate shortages to bring in TFWs, mainly by reducing the advertisement requirements.[6] Starting in January 2009, the ROUP list was replaced by national advertising requirements that depend on broad skill levels based on the National Occupational Classification (NOC). It is also unclear what the effect these changes will have on Labour Market Opinions in terms of the length of time that employers are required to advertise positions in order to qualify for some programs.

Concerns have also been voiced about how well TFWs are treated in Canada, with some suggesting that since many TFWs are tied to the job that is specified by their work permit and lack rights in Canada, they are left vulnerable to exploitation by employers.[7] This problem will likely not affect the high-skilled TFWs, but is a concern for TFWs working in less-skilled occupations. Furthermore, the potential for exploitation may have grown in the mid-2000s, with the increased number of less-skilled jobs covered by the programs. Another consideration is how well TFWs perform in Canada in terms of occupational outcomes. In the next section, we examine some empirical research that suggests that TFWs labour market outcomes are quite strong.

Research on the economic outcomes of TFW programs

Unlike the large body of research documenting the economic outcomes of immigrants, there is little recent literature that examines the outcomes of TFWs in Canada. However, the literature that does exist suggests that TFWs have been very successful, particularly compared to recent immigrant cohorts. Using Census data, Warman (2009) finds that weekly earnings of male TFWs are much higher than those of recently landed immigrants. Female TFWs also have a positive earnings advantage compared to recently landed immigrants (with homemakers being excluded in both cases). Warman (2010) examines the economic rate of return to foreign labour market experience for male TFWs relative to cohorts of recent male immigrants. In accord with previous research (Schaafsma and Sweetman 2001, Aydemir and Skuterud 2005), Warman finds that recently landed immigrants do not benefit financially from their years of foreign work experience, whereas such economic returns are an extremely important element of wage growth over the life cycle for the Canadian-born. Conversely, he finds that male TFWs have large positive economic returns to foreign labour market experience. Further, male TFWs receive higher economic rates of return to their foreign education than do recently landed immigrants.

There is little recent literature that examines the outcomes of TFWs in Canada. However, the literature that does exist suggests that TFWs have been very successful, particularly compared to recent immigrant cohorts.

Turning away from particular characteristics, TFWs appear to reach substantial economic success in the Canadian economy, although the nature of the programs through which they enter induces some important heterogeneity. Without conditioning on characteristics, Warman (2009) finds that the average total employment earnings for TFW men are higher than they are for Canadian-born men. For women, the reverse is true. But a very large portion of female TFWs are in Canada by virtue of the Live-in Caregiver Program, and once that occupation is removed from the sample, the same pattern then emerges.

Unfortunately, since positive externalities are a driving motivation for TFW programs, we know of no research that looks at the impact of these programs on the Canadian economy. It is worth noting that a complete analysis of this issue would need examine not only labour market impacts, which are most commonly studied with respect to immigration issues, but also at other benefits, such as those pertaining to consumers (in the form of final product prices), government fiscal issues, and especially those accruing to the owners of capital. The effects of TFW programs on international trade are also a complex, but potentially sizeable, issue.

Canadian Experience Class

One potential (though controversial) benefit of the high-skilled programs is that these initiatives can assist in the selection and retention of those high-skilled workers who will be successful as permanent residents.[8] This, however, was not the original intention or role of TFW programs. Nevertheless, the new Canadian Experience Class allows some highly skilled temporary residents to apply for permanent residency. This Canadian Experience Class is

similar to, yet distinct from, skilled workers programs, and is part of the Economic Immigration Class.

We previously suggested that TFW programs are designed to meet economic goals. However, with the introduction of the Canadian Experience Class, it can be argued that high-skilled TFW programs now also have a substantial nation-building component. This new policy took effect in September 2008 and acts as a bridge from temporary to permanent resident status for certain high-skilled TFWs (as well as for some former international students).[9] By attracting foreign residents who have already (presumably) experienced success in the Canadian labour market (although success is not a criterion), and whose skills are in demand, the difficulties that many recent immigrants have experienced in transferring their pre-immigration human capital should be alleviated.

In order to be eligible, TFWs must have acquired 24 months of work experience over a 36-month period immediately prior to submitting their application. The work experience needs to be either in managerial or in professional occupations (NOC O or A), or in technical occupations or skilled trades (NOC B). Applicants are also required to have minimal language abilities, depending on the occupation in which they are employed.[10] The TFWs are allowed to submit their application within Canada while currently employed, or can apply within one year. The evaluation under the Canadian Experience Class is a pass/fail decision, which contrasts sharply with the assessment of principal applicants under the Skilled Worker Program, which is based on a points system.

Given that the program was only recently introduced, it will take some time for data to become available and to enable us to evaluate its success. However, Sweetman and Warman (2009) examined the Longitudinal Survey of Immigrants to Canada in order to determine how well immigrants who had previously been in Canada on a work visa (or on a student visa) performed in the Canadian economy relative to immigrants without any pre-immigration Canadian human capital. Of course, these former TFWs prior the existence the Canada Experience Class, so the context has shifted and the results, while informative, do not describe the current policy framework.

Sweetman and Warman find that most of the former male TFWs subsequently entered as skilled worker principal applicants (approximately 85%). With respect to female TFWs, most also entered as skilled workers, but the breakdown was evenly split between principal applicants (43.6%) and dependents and spouses (43.6%). Restricting the sample to skilled worker principal applicants, who have the best labour market outcomes among new immigrants, male TFWs were found to have much better employment and earning outcomes relative to people with no pre-immigration Canadian human capital. This advantage attenuated over the four years covered by the data, but remained very appreciable for males four years after landing. Former female TFWs also had better outcomes, but the advantage was not as important as that experienced by male TFWs, and it was reduced to statistical insignificance by the fourth year. However, the standard errors were quite large for the females and an advantage of as much as 15% to 20% would not have been statistically significant for this sub-group. Although the sample of TFWs in this study differs considerably from the TFWs selected under the Canadian Experience Class, the results suggest that selecting immigrants who have already acquired Canadian work experience will likely be a successful selection mechanism for achieving satisfactory labour market outcomes for new immigrants.

The size and role of the TFW programs have expanded over the past 25 years. Recent policy changes that have made it easier for employers to hire TFWs will undoubtedly increase the importance of TFWs in the future, although the current recession will have the opposite effect.

Conclusion

The size and role of the TFW programs have expanded over the past 25 years. Recent policy changes that have made it easier for employers to hire TFWs will undoubtedly increase the importance of these workers in the future, although the current recession will have the opposite effect. Future research attention should focus not only on the labour market outcomes of TFWs, but also on the impact of TFWs on the economy more broadly. Also, the nature of the program may alter dramatically over business cycles, and this needs to be kept in mind not only in framing future research, but also in the interpretation of previous results.

We highlight some research that suggests that TFWs have strong economic outcomes in Canada, and that immigrants who had acquired Canadian work experience prior to applying to immigrate were also very successful in terms of employment and earning outcomes.

However, future studies clearly need to track the progress and success of immigrants entering under the Canadian Experience Class. This is a major new initiative. Like the TFW programs, it has the potential of yielding greater benefits but which may also present greater risks. Similarly, the economic impact of this new class may alter appreciably across business cycles.

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Notes

[1] See Sweetman and Warman (2006) for more details on these programs.

[2] Some observers, and some government statistics, appear (at least implicitly) to define TFWs as including only those foreign residents who hold a work permit. We view this as too narrow a definition and one that can be misleading for policy. Also, we have little information about which work permits actually result in the individual obtaining employment in Canada.

[3] See Warman (2010) for more details on the various programs.

[4] The TFWs may also hold other permits, such as a student visa, but they are defined as TFWs since the main reason for their being in Canada is employment.

[5] In comparison, the Canadian population increased from about 25.2 million people in the first quarter of 1983 to 32.7 million in 2007. The increase in entries of TFWs has been much more rapid.

[6] Initially Ontario, Alberta and British Columbia were the only provinces participating, but in 2007, the list was expanded to include Price Edward Island, Nova Scotia, Quebec and Manitoba.

[7] For example, see "The Americas: Not such a warm welcome; Canada's guest workers." *The Economist*, November 24, 2007, p. 67.

[8] TFWs, both high-skilled and less-skilled, can also gain permanent resident status under the Provincial Nominee Program. As well, domestic workers can gain permanent resident status under the Live-in Caregiver Program.

[9] Former international students require completion of a two-year degree followed by one year of Canadian work experience in either NOC O, B or A occupations, as well as minimum language requirements, depending on the occupation.

[10] Workers with NOC O or A occupations require moderate language ability in English or French, while workers with NOC B occupations require basic language ability.

CHRISTIANITY AND ETHNICITY IN CANADA

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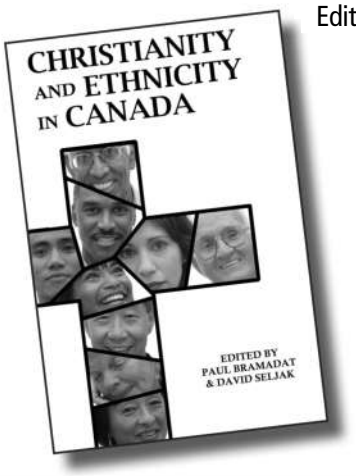

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