

Issue in Focus

May 2014

Quantifying the Need for Temporary Foreign Workers

Core Issue: In April 2014, the Government of Canada put a moratorium on the Temporary Foreign Worker (TFW) program for the food service industry. Since then the program has endured an increasing amount of criticism. Missing from this discussion has been an understanding of the very real need the TFW program fills. To be clear, the elimination of TFWs from Canada's workforce would create an extreme, growth stunting shortage of labour.

Introduction

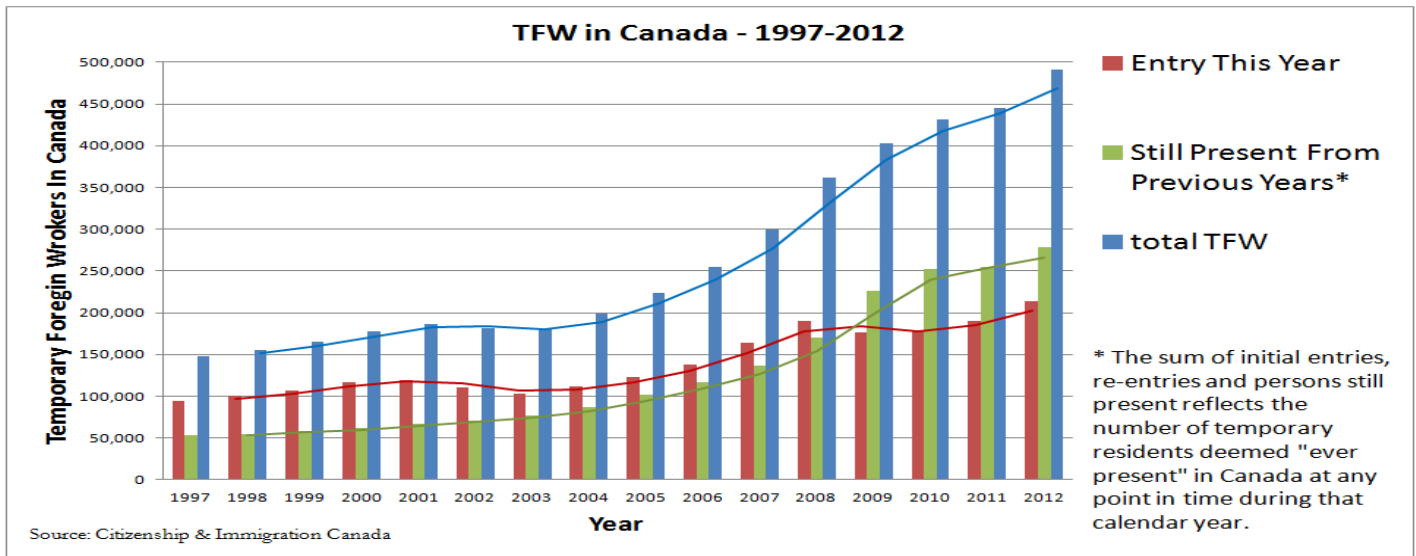
Saskatchewan has become one of the strongest economies, and best places to live in Canada through the strength of our many people, including immigrants. Immigration has renewed the strength of many rural communities and has provided the labour force needed to improve our quality of life. Immigration is at the root of what Saskatchewan is all about: acceptance, potential, and success through hard work.

Background

The Temporary Foreign Worker (TFW) program was created in 1973 to help alleviate the shortage of higher-skilled labour in Canada. In 2002, the federal government opened the program to all skill-level classifications which generated a spike in program participation. In the five years before the change, Canada admitted approximately 100,000 TFWs per year; in the five years after the change, Canada had roughly doubled its annual TFW admittance. The 2002 changes were the government's response to market demand for labour, but they failed to address the root cause.

The TFW program, by definition, has no responsibility to meet the long-term demand for labour. The lack of an effective long-term solution is evidenced by the growing number of TFWs remaining in Canada year-over-year. In the pre-2002 system, the number of TFWs remaining in Canada from the previous year was growing at a compound annual growth rate of 5.1%. This is in comparison to a growth rate of 10.2% post-2008 – after the annual number of entries was level again (see chart). This is a strong indicator of a growing demand for labour that is being unmet by domestic workers.

Figure 1: Temporary Foreign Workers in Canada - Increasing Growth in Length of Stay



It is important to clarify that this demand is real in many parts of our country. Using the most recent data available, the need for foreign labour is much stronger in Western Canada; shifting east, the need lessens. One way to determine need is by analyzing Employment Insurance claimants, unemployment estimates, and job postings – segregated by province. In summary, if retraining required no time, Western Canada could have zero EI claimants and it would only just fill their posted jobs (posted, being the key word). This is a sharp contrast against Central and Atlantic Canada who, in the same circumstance, would have over 90,000 and 150,000 EI claimants when all job postings were filled, respectively.¹ While it is unrealistic to assume a perfect match of demand to available workers, it is critical to note that a market with no slack in available labour is not the ideal situation.

Current Situation

Regional Differences

It is important that public policy be centred on accurate, pertinent information. The C.D. Howe's recently released report on the TFW program studied only British Columbia and Alberta yet it made policy recommendations for the entire country.² It is critical that a means to gather more specific labour market information, more frequently, is developed so that narrowly-scoped reports, such as C.D. Howe's, are not able to speak for the entire country.

Statistics Canada reports an unemployment rate of 7.0%.³ When considering again a situation where retraining takes no time and labour and demand match perfectly – the Canadian unemployment rate

¹ See Figure 2 for provincial breakdown of unemployment grouped by province, region, and as well as a national overview.

² C.D. Howe Commentary No. 407: Temporary Foreign Workers in Canada: Are They Really Filling Labour Shortages

³ Statistics Canada unemployment figures are systematically higher in comparison to the USA.

drops to 5.6%.⁴ Alarminglly, Western Canada’s unemployment would drop to 4.2% and Saskatchewan would reach 2.0%. Eastern and Central Canada would see unemployment levels of 9.1% and 6.3%, respectively (see Figure 2). The US Federal Reserve’s Federal Open Market Committee has reported that a normal long-run unemployment rate in the USA would be between 5.2% and 5.8%.^{5,6} This means Western Canada would face extremely difficult challenges at such a low unemployment level.

Figure 2: Labour Market if all Posted Jobs were Immediately Filled (And TFWs were still allowed)

Province	Labour Force	TFW as % of labour force	Unemployed	Largest Job Database (1)	EI Claimants (2)	Net Unemployment (3)	Net Unemployment (%) (4)
BC	2,463,900	3.0%	157,500	16,902	51,990	140,598	5.7%
AB	2,364,200	2.9%	102,100	66,958	29,450	35,142	1.5%
SK	580,400	1.6%	22,500	15,560	10,780	6,940	1.2%
MB	666,500	0.8%	35,100	6,402	13,060	28,698	4.9%
ON	7,448,700	1.6%	559,800	127,959	152,410	431,841	5.8%
QB	4,375,300	1.0%	342,600	29,681	145,410	312,919	7.2%
NB	391,500	0.7%	38,400	3,924	32,140	34,476	8.8%
NS	494,800	0.9%	44,100	4,770	26,550	39,330	7.9%
NFLD	263,700	1.0%	31,200	2,027	32,210	29,173	11.1%
PEI	84,400	1.3%	9,700	660	7,420	9,040	10.7%
West	6,075,000	2.6%	317,200	105,822	105,280	211,378	3.5%
Central	11,824,000	1.4%	902,400	157,640	297,820	744,760	6.3%
East	1,234,400	0.9%	123,400	11,381	98,320	112,019	9.1%
Canada	19,133,400	4.0%	1,343,000	274,843	501,420	1,068,157	5.6%
1) Largest of the Canadian Job Bank, Kijiji, and, where applicable, a provincial job bank. 2) EI claimants meet in the 'unemployed' definition 3) Unemployed - Job Postings 4) This is the new unemployment % if Canada had no posted jobs (immediate retraining)						Jobs posted as of April 25, 2014 Unemployment - Source: Statistics Canada - February, 2014 EI Claims - Source: Statistics Canada - February 2014	

If TFWs are removed and retraining becomes the only allowable approach, the picture gets much worse. Without TFWs, and assuming the unemployed labour pool will retrain to meet the labour needs of their province, Canada’s unemployment level falls further to 3.8%.⁷ Western Canada nearly eliminates their unemployed category at 0.9% unemployment; Central and Eastern Canada drop to 5.0% and 8.3%, respectively.⁸ To be clear, the elimination of TFWs from Canada’s workforce – with demand being met fully by retraining⁹ – would suffer from an extreme shortage of labour. Assuming all currently unemployed Canadians are willing to move to any province and be properly trained (with no time required) for the demanded labour in that province, still, only six provinces would be at the absolute *minimum* sustainable unemployment rate. And this is the best case scenario. Alberta and Saskatchewan would have zero slack in available labour, creating an economy where growth is extremely stunted.

⁴ If labour and demand cannot perfectly match – which is the likely case – the economic situation would be even worse.

⁵ United States of America Federal Reserve. federalreserve.gov/faqs/economy_14424.htm

⁶ See Note 3.

⁷ If labour and demand cannot perfectly match – which is the likely case – the economic situation would be even worse.

⁸ Appendix B: table on unemployment with no TFWs and with/without interprovincial domestic labour mobility.

⁹ See note 7.

The balancing of employment demand with supply of unemployable workers is a shared goal of all Canadians, but it is not working in practice. While unfounded speculation is not responsible, an Ipsos-Reid poll conducted in March, 2014, found that less than half of Canadians would ever consider relocating for employment.¹⁰ Given the stratified unemployment across Canada, immobility negatively impacts regional development and concentrates the damaging effects of high unemployment in certain regions. It is clear that Canadians cannot provide the labour required to provide the quality of life we have come to expect in Canada.

From BC through Ontario, excluding Manitoba, Canadians would face nearly double the labour shortage if TFWs were not permitted in Canada, losing valuable services and economy activity. It is not that Canadians do not have the ‘first crack’ at jobs; it is that there are simply not enough appropriately-skilled Canadians in certain regions (or willing to migrate) to meet the demand for labour. The average Canadian unemployment lasts just 20 weeks and even less so in both Eastern and Western Canada. More importantly, young Canadians (aged 15-24) are spending, on average, only 11 weeks unemployed.¹¹ The short unemployment of Canadian workers is an indication that, when available, Canadians are largely being chosen first – especially young Canadians.

Aging Population

The Canadian birth rate was 1.61 or 377,000 births in 2011 with a compound annual growth rate of less than 1% over the previous five years.¹² Alone, that is not indicative of immediate danger; however, the proportion of older workers in the labour force has been increasing rapidly. From 1991 to 2010, the ratio of young labour to those nearing retirement has fallen by nearly triple from 3.1 to 1.3, respectfully. An aging labour force with a small birth rate threatens to shock the economy when the older labourers retire in large numbers – even if they stay in the work force slightly longer than historical levels.¹³ The country’s inability to supply a sustainable labour market has already had a substantial impact of the Canadian economy and the quality of life of Canadians.

Building a Sustainable Labour Force

The Government of Canada’s Standing Committee on Citizenship and Immigration has reported on the need to use the TFW program as the basis for decreasing the long-term labour shortage in certain regions¹⁴. Specifically:

‘The Committee was impressed with the way that some provinces, in particular Saskatchewan and Manitoba, use the temporary foreign worker program to meet long-term labour market challenges and strengthen communities. Their strategic approach and collaboration between business,

¹⁰ Ipsos-Reid: The Canadian Employment Mobility Landscape.

¹¹ Statistics Canada, Table 282-0048

¹² Statistics Canada, Table 102-4505

¹³ Zhaowen Mei, Jacquie Eales and Janet Fast (2013): Older Canadians in the Paid Work Force.

¹⁴ Standing Committee on Citizenship and Immigration, 2009: “Temporary foreign workers and non-status workers”

government, and community sectors is a good news story that might be of interest to other jurisdictions. All measures should be taken to facilitate the transition from temporary worker to permanent resident through the provincial nominee avenue.’

This highlights an important factor that has been unaddressed in the past. The TFW program was *never* meant ‘to meet long-term labour market challenges.’ By definition, it was designed to fill temporary gaps in available labour. The last point is so critical; it is worth restating:

‘All measures should be taken to facilitate the transition...through the provincial nominee avenue.’

The solution was put forward nearly five years ago. And it was restated in the 2011 Federal Throne Speech¹⁵:

‘Local communities are best placed to overcome their unique challenges, but government can help create the conditions for these communities—and the industries that sustain them—to succeed.’

It is clear because of the strong diversity of the labour market from region to region that the federal government must put the provinces at the forefront of immigration, enabling them to use the TFW program as a springboard to a strong and sustainable Canadian labour market. In the most recent longitudinal study, Citizenship and Immigration Canada found that TFWs who transition into permanent residents are more likely to establish economically than those who had not worked in Canada on a temporary visa before becoming a permanent resident¹⁶. New permanent residents were 55% more likely to have a job offer before becoming a permanent resident if they were a TFW before becoming a permanent resident.¹⁷ The provincial nominee program¹⁸ uses the TFW program as a test drive for potential permanent residents. TFWs work in potentially permanent roles for a short period of time; if the TFW and the province mutually benefit, the province supports their application to become a permanent resident¹⁹.

The TFW program in conjunction with the provincial nominee program has been so successful in Saskatchewan that 80% of Saskatchewan immigrants enter through the provincial nominee program²⁰ and 86% of Saskatchewan nominees were still remaining in Saskatchewan at the time of the study²¹. Finally, Saskatchewan only received 0.7% of successful applicants from the federal-controlled Foreign

¹⁵ Federal Throne speech, 2011, pg 13

¹⁶ Citizenship and Immigration Canada, 2011: Evaluation of the Provincial Nominee Program, pg. 48

¹⁷ *Ibid.* Pg. 48

¹⁸ The provincial nominee program allows provinces to recommend applicants, who qualify under criteria established by the province, to the federal government for permanent residency.

¹⁹ It should be noted that the TFW program also has a place to provide temporary labour with no expectation of permanent residency. However, this can only be done with quicker processing times to meet the urgent labour need.

²⁰ Citizenship and Immigration Canada, 2011: Evaluation of the Provincial Nominee Program, Pg. 20

²¹ *Ibid.* Pg. 53

Skilled Workers program;²² however, the province received 12.4% of the nation's provincially-nominated applicants²³. The provincial nominee program in partnership with the TFW program, when compared against federally-controlled programs, increases the dispersion of immigrants and creates stronger communities across the country.

Conclusion

For the last fifteen years, the federal government has been actively redefining the TFW program and they have established a patchwork of legislation that is no longer meeting the needs of Canadians. The TFW program is supposed to address the temporary labour needs of a business while the employer seeks out qualified domestic labour. However, through this analysis, it is clear that an entirely domestic labour force is not possible; there are simply not enough people. If Canadians were entirely able and willing to retrain and move anywhere, removing TFWs would drop the unemployment rate nationally to a dangerous 3.9%, while Western Canada would fall to near-worst case scenario of 1.7%. And that is the best possible outcome. Without full retraining and mobility, the picture is much worse. The federal and provincial governments must get serious about the unique nature of immigration in Canada. It is no longer acceptable to have a pan-Canadian approach to a province-specific issue. With more local labour market information and the support of business, community and all levels of government, it is time to create a sustainable labour force in Canada.

²² Foreign Skilled Workers program is a federally-controlled (no provincial consideration) permanent residency program; it largely overlaps in principle with the provincially-lead provincial nominee program.

²³ *Ibid.* Pg. 52. Table 4-4

Appendix A: Labour Market Breakdown

Province	Jobs on CJB	Kijiji Job Postings	Provincial Job Website	Population (1)	Labour Force	Employed
BC	12,944	16,902	14,075	3,881,100	2,463,900	2,306,400
AB	22,599	66,958	-	236,300	2,364,200	2,262,100
SK	7,213	7,692	15,560	836,400	580,400	557,900
MB	2,388	6,402	-	980,900	666,500	631,400
ON	28,003	127,959	-	11,287,300	7,448,700	6,888,900
QB	2,645	29,681	-	6,719,600	4,375,300	4,032,700
NB	1,246	3,924	891	620,100	391,500	353,100
NS	1,963	4,770	2,000	781,300	494,800	450,700
NFLD	2,027	1,909	1,956	429,200	263,700	232,500
PEI	554	660	-	121,200	84,400	74,700
Canada	81,582	266,857		25,893,400	19,133,400	17,790,400

Province	Unemployed	Largest Job Database (2)	EI Claimants (3)	Unemployment Length (weeks)	Unemployment (%)	(EI Claimants) - (Job Postings)
BC	157,500	16,902	51,990	20	6.4%	35,088
AB	102,100	66,958	29,450	14	4.3%	(37,508)
SK	22,500	15,560	10,780	14	3.9%	(4,780)
MB	35,100	6,402	13,060	15	5.3%	6,658
ON	559,800	127,959	152,410	22	7.5%	24,451
QB	342,600	29,681	145,410	22	7.8%	115,729
NB	38,400	3,924	32,140	16	9.8%	28,216
NS	44,100	4,770	26,550	16	8.9%	21,780
NFLD	31,200	2,027	32,210	16	11.8%	30,183
PEI	9,700	660	7,420	13	11.5%	6,760
Canada	1,343,000	274,843	501,420	20	7.0%	226,577

Province	TFWs (4)	Net Unemployment (5)	Net Unemployment (%) (6)	(Net Unemployment) - (TFWs)	Unemployment without TFWs (%)	TFW as % of labour force
BC	74,216	140,598	5.7%	66,382	2.7%	3.0%
AB	68,319	35,142	1.5%	(33,177)	(1.4%)	2.9%
SK	9,349	6,940	1.2%	(2,409)	(0.4%)	1.6%
MB	5,572	28,698	4.3%	23,126	3.5%	0.8%
ON	119,899	431,841	5.8%	311,942	4.2%	1.6%
QB	44,115	312,919	7.2%	268,804	6.1%	1.0%
NB	2,880	34,476	8.8%	31,596	8.1%	0.7%
NS	4,364	39,330	7.9%	34,966	7.1%	0.9%
NFLD	2,550	29,173	11.1%	26,623	10.1%	1.0%
PEI	1,119	9,040	10.7%	7,921	9.4%	1.3%
Canada	332,383	1,068,157	5.6%	735,774	3.8%	1.7%

1) The Labour Force Survey covers the civilian, non-institutionalised population 15 years of age and over.

2) Largest of the Canadian Job Bank, Kijiji, and, where applicable, a provincial job bank.

3) EI claimants, by definition, are included in the 'unemployed' number.

4) Present, as of December 1, 2012; For a given year of observation, the sum of initial entries, re-entries and persons still present reflects the number of temporary residents deemed "ever present" in Canada at any point in time during that calendar year. total number of persons differs from temporary residents present on December 1st shown in other tables of this report.

5) Unemployed - Job Postings

6) If retraining required no time, all job postings would be filled. This is the new unemployment rate if Canada had no posted job jobs posted as of April 25, 2014

Unemployment - Statistics Canada, February, 2014

EI Claims - Statistics Canada, February 2014

Appendix B: Canadian Labour Market - No TFWs & Perfect Mobility

Province	(Net Unemployment [1]) - (TFWs)*	Unemployment without TFWs (%)	Required unemployed labour to be at 5.2% Unemployment	Surplus (deficit) of workers over unemployment target (2)	100% mobility	Unemployment with perfect total mobility and without TFW
BC	66,382	2.7%	124,264	(57,882)	(56,944)	2.8%
AB	(33,177)	(1.4%)	119,386	(152,563)	(118,827)	0.0%
SK	(2,409)	(0.4%)	29,695	(32,104)	(29,292)	0.1%
MB	23,126	3.5%	34,368	(11,242)	0	5.2%
ON	311,942	4.2%	381,098	(69,156)	(25,573)	4.9%
QB	268,804	6.1%	225,222	43,582	0	5.2%
NB	31,596	8.1%	20,208	11,388	0	5.2%
NS	34,966	7.1%	25,503	9,463	0	5.2%
NFLD	26,623	10.1%	13,580	13,043	0	5.2%
PEI	7,921	9.4%	4,331	3,590	0	5.2%
West	53,922	0.9%	307,712	(253,790)	(205,063)	1.7%
Central	580,746	5.0%	606,319	(25,573)	(25,573)	5.0%
East	101,106	8.3%	63,621	37,485	0	5.2%
Canada	735,774	3.8%	977,653	(241,879)	(241,879)	3.9%
1) Unemployed - Job Postings 2) Negative implies they have insufficient slack in the labour market; positive means they are above the target unemployment. * A negative is an unrealistic situation; highlights extreme labour shortage. Note: This table contains calculations using data from Appendix A				Mobile worker distribution: Quebec all to Ontario East divided into four unequal parts: 2.5% to BC 90% to AB 7.5% to SK		