



Human Resources and
Social Development Canada

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Temporary Foreign Workers (TFW) in Canada: Labour market considerations

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Canada 



Issue

- Main objective of TFW policy is to address short and medium term labour and skills shortages.
- TFW is one component of the Government of Canada's labour market strategy
- Main policy issue for TFW:
 - **How to respond more effectively to increasing demands from employers, while ensuring overall impacts on the labour market are positive?**



Outline of presentation

- Overview TFW facts and figures
- Canada's labour market
- Issues and considerations
- Conclusions



Overview TFW facts and figures – *Program*

- 100,000 TFWs admitted in Canada in 2005
- First modern TFW program created in 1966 for the agriculture sector

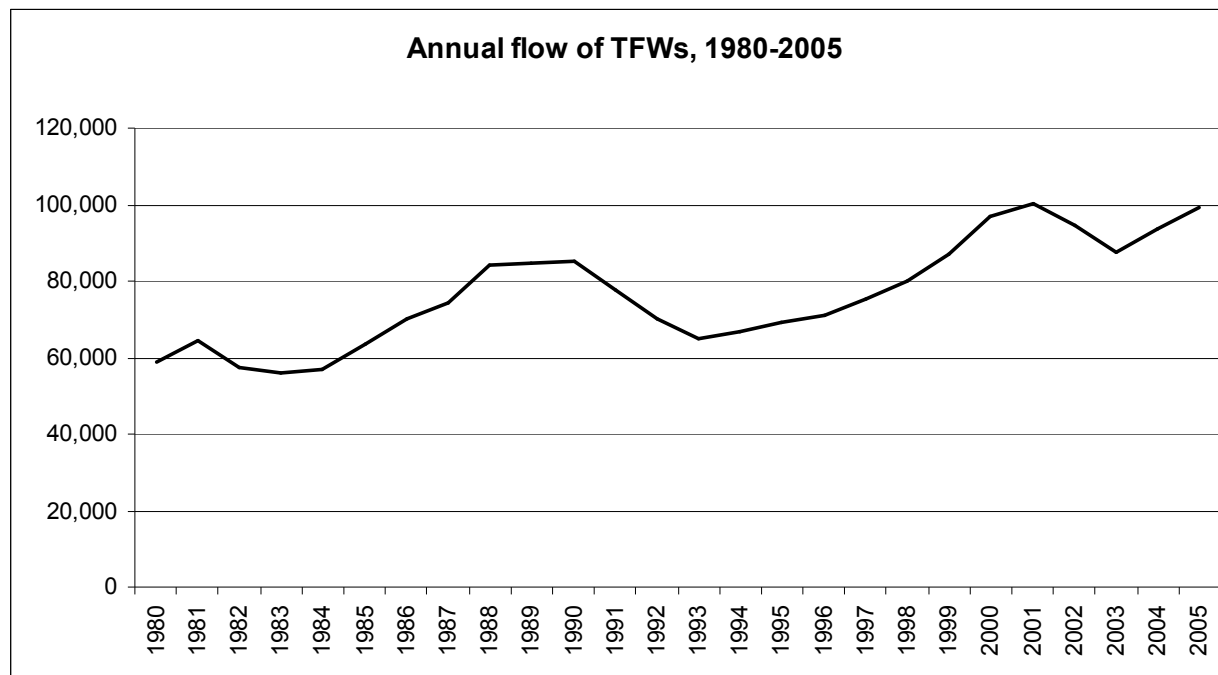
Management:

- Demand is driven by employer requests
- Six mechanisms are used to regulate entries and stays:
 - Labour market opinion ('labour market test')
 - Selection based on skills requirement
 - Conditions of stay
 - Binding contracts
 - Provincial and international agreements
 - Monitoring



Overview TFW facts and figures – *Flow*

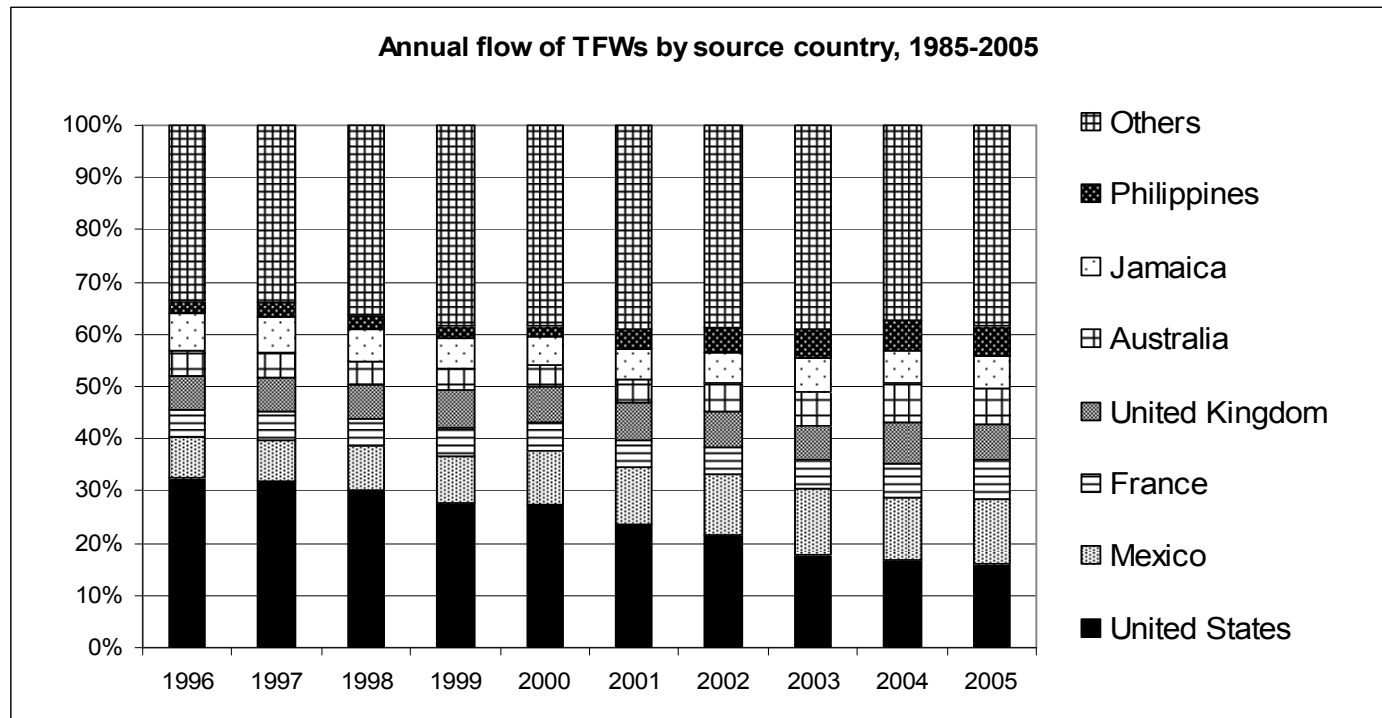
- Steady increase since 1980, following business cycles
- Very small proportion of the workforce at the national level
- Demand is expected to grow significantly in the coming years





Overview TFW facts and figures – *Source countries*

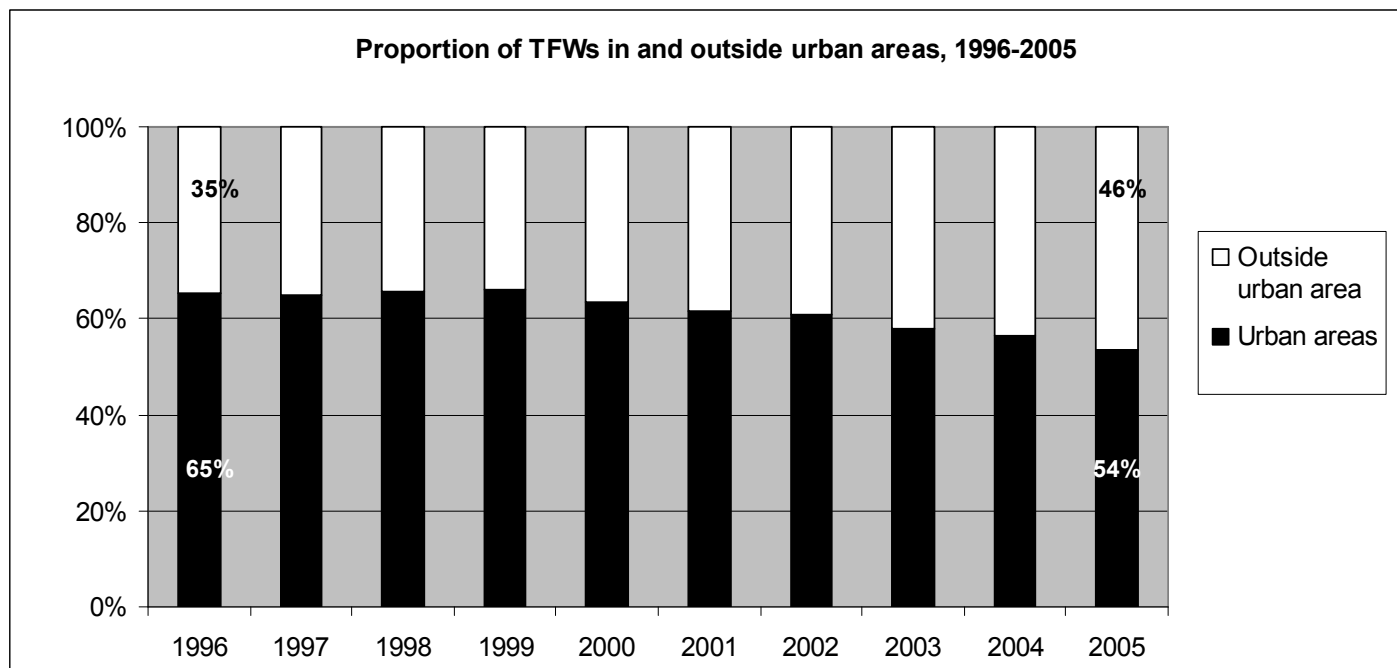
- United States (16%) is the top sending country.
- Other source countries are gaining prominence





Overview TFW facts and figures – *Settlement*

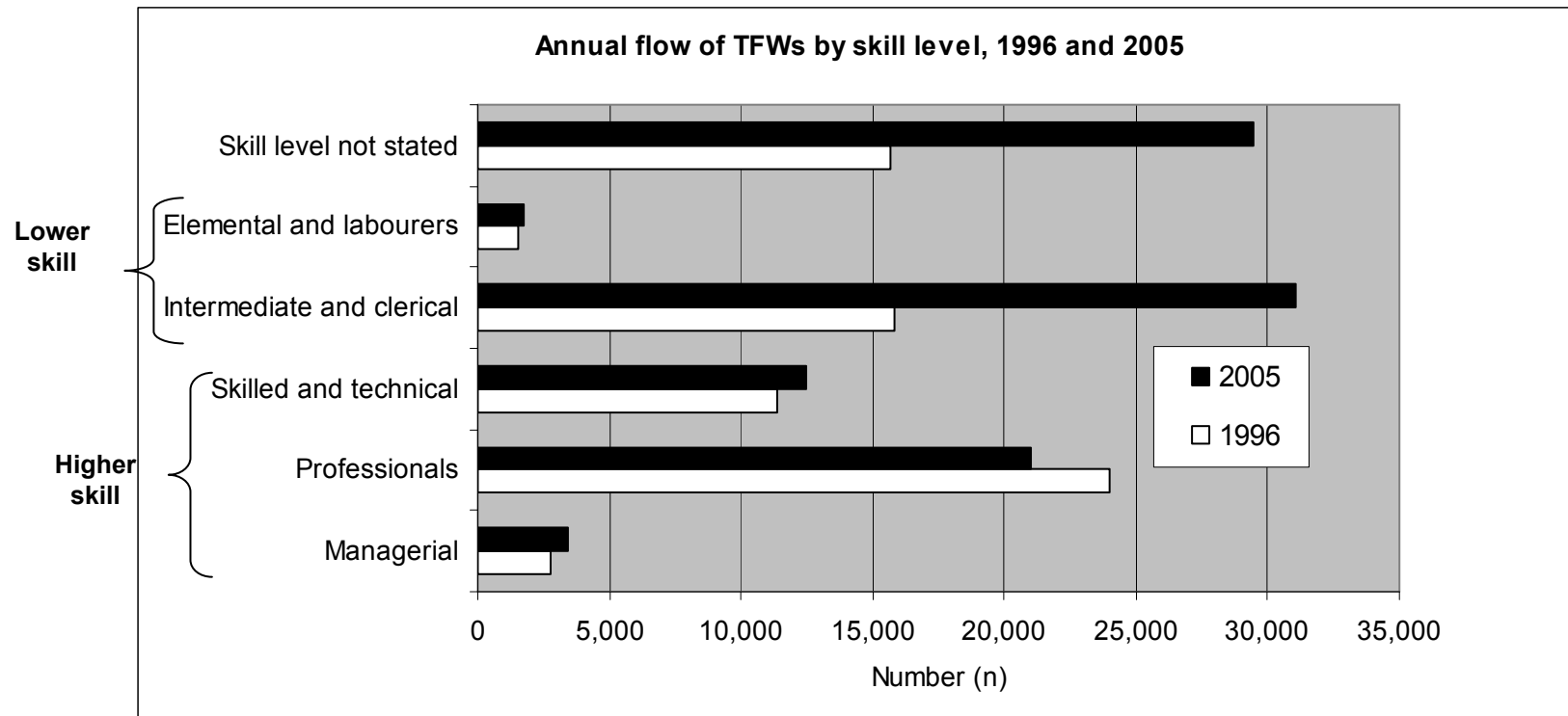
- Ontario (45%) remains the top province for settlement.
- A majority of TFWs settle outside larger urban areas.





Overview TFW facts and figures – Occupations

- TFWs fill labour shortages in low and high skilled occupations
- Majority of TFWs are higher skills levels (53%) but significant increase in lower skills levels





Overview TFW facts and figures – *Occupations*

- Skilled occupation streams
 - Skilled or semi-skilled workers
 - Professionals working under the provisions of international agreements (NAFTA, CCFTA, GATS)

- Low skilled occupation streams
 - Nannies
 - Seasonal agricultural workers
 - Low skilled workers pilot projects

- Other streams
 - E.g., Youth exchange, spouse of TFWs, performing artists and athletes, business visitors.



Canada's labour market – *Facts*

Canada's economy and labour market are considered to be at the forefront internationally in terms of flexibility and resiliency

- GDP growth at 2.9% (2005), second only to US among G7
- Labour force participation (67.2%) and employment rates (62.9%) rank in the top of the OECD
- Unemployment at 6.3% is at lowest level in over 30 years



Canada's labour market – *Drivers*

Canada's economy and labour market are performing well but realignment of labour market policy will be required to respond to key drivers of change:

- Population aging
- Globalization
- Technological progress and evolution



Canada's labour market – *Issues*

- Optimizing labour **quantity**
- Ensuring labour **quality** across skills spectrum
- Ensuring labour market **efficiency**



Canada's labour market – *TFW policy*

- Assist short and medium term labour market adjustment by addressing temporary labour and skills shortages
- Contribute to long term human capital development and mitigate the impact of the ageing workforce



Issues and considerations – *Labour market adjustment*

TFWs may:

- Enhance labour market flexibility
- Supplement lack of inter-regional mobility

However, *international* research suggests that:

- Impact of TFWs on employment levels and wages of native workers is generally small and/or negligible
- At the micro-level, job loss/gain or wage loss/gain can be unevenly distributed among the population
- TFW can cause a supply-side shock



Issues and considerations – *Labour market development*

TFWs may:

- Increase the stock of human capital
- Push native workers to upgrade skills
- Increase employers' innovative capacity

However, *international* research suggests that TFW can also:

- Discourage employers' investment in training, equipment and infrastructure.
- Contribute to labour market segmentation
- Put national labour standards at risk if TFWs are exploited
- Sustain markets that are unresponsive to the wage adjustment mechanism and would likely disappear



Issues and considerations – *Others*

- Equity and rights issues
- Financial and economic benefits for both source and host countries
- Data and coordination
- Cross-cutting policies



Summary of issues and considerations

	Labour Market Adjustment	Labour Market Development	Equity and Rights	Other
General	<ul style="list-style-type: none"> ▪ Supply-side shock 	<ul style="list-style-type: none"> ▪ Discourage investment in training, equipment and infrastructure 	--	<ul style="list-style-type: none"> ▪ Policy choices to sustain strategic industries ▪ Data and coordination
High Skill	<ul style="list-style-type: none"> ▪ Impact on wages and employment levels 	--	--	<ul style="list-style-type: none"> ▪ Growth in TFWs through NAFTA and other international agreements
Low Skill	<ul style="list-style-type: none"> ▪ Impact on wages and employment levels ▪ Outcomes of under-represented groups 	<ul style="list-style-type: none"> ▪ Labour market segmentation ▪ Lowering of labour standards 	<ul style="list-style-type: none"> ▪ Exploitation ▪ Challenges in monitoring 	<ul style="list-style-type: none"> ▪ Balance between remittances and brain drain



Conclusions

- General
- Low Skilled TFWs
- High Skilled TFWs