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MARCH 2015



WORK INTERRUPTED

How federal foreign worker rule changes hurt the West



CANADA WEST FOUNDATION

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The Canada West Foundation would like to sincerely thank the reviewers of this paper: Dr. Jim Frideres, *Professor, University of Calgary*, Usman Tahir Jutt, *Owner/Operator, Chirp Foods Inc.*, Dr. Roslyn Kunin, *Principal, Roslyn Kunin & Associates, Inc.* and *Senior Fellow, Canada West Foundation*, Chris Thomas, *Senior Consultant, The Business Consulting Group*, Dr. Robert Vineberg, *Chair, Board of Governors of Immigration Research West* and *Senior Fellow, Canada West Foundation*, and *Manitoba Labour and Immigration*.

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ISBN 978-1-927488-18-8

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The Centre for Human Capital Policy focuses on the economic importance of a skilled and productive workforce to Canada's current and future prosperity and supports policies that will enable western Canadians to reach their full potential.

EXECUTIVE SUMMARY

The 2014 changes to the Temporary Foreign Worker Program (TFWP) have created an unprecedented situation for western Canadian employers. Canada's immigration policies target high-skilled workers and Canadians often avoid work in low-wage jobs. With the redesigned foreign worker program that limits employers' use of low-wage temporary foreign workers, it is unclear how employers will continue to fill these jobs and whether the consequences will ultimately be more or fewer jobs for Canadians.¹

The impact of the changes could be severe. Without enough workers, businesses could be forced to have shorter hours, service will suffer, workers will be stressed and businesses could shrink. Some may be forced out of business altogether.

Ironically, this policy change will hit the provinces with low unemployment hardest and will only slightly affect provinces with higher unemployment rates where there are more potential workers to fill jobs vacated by foreign workers. This paper confirms that recent changes to the TFWP will hurt western Canadian employers in particular.

Alberta will bear the brunt of the changes; that province will be allowed to bring in fewer temporary foreign workers by 2016 than anywhere else in the country. Alberta relies on temporary foreign workers more than any other province or territory and has had the second lowest unemployment rate. Although the recent drop in oil prices will ease the impact, it is too soon to say by how much. When oil prices rise again, this policy could also impair Alberta's economic recovery.

Saskatchewan will also be hurt. It has the lowest unemployment rate in the country and relies on temporary foreign workers more than most provinces. There are also few options to find replacements for the temporary foreign workers they will not be able to hire, because the province is close to fully employing everyone who is willing to work.

British Columbia also relies heavily on temporary foreign workers, and is expected to have the second-highest reduction in low-wage TFW entrants by 2016. Unlike Alberta, however, it may be able to find other workers. There

are more Canadians out of work there than in the other three western provinces, and the jobless ranks are expected to grow as British Columbians return home from Alberta during the downturn in oil prices.

Manitoba relies less on temporary foreign workers than most other regions of the country, with the exception of in a couple of sectors. Manitoba has focused on attracting permanent immigrants, and will lose the fewest low-wage temporary foreign worker entrants of the four western provinces. Other provinces can learn from Manitoba, which has a good system to manage the temporary foreign workers they employ.

Federal changes have made it more difficult, even in cases of genuine need, to access the TFWP. The impact of the changes should be reviewed to ensure that valid policy goals, such as enabling economic growth, can be met. In this case, a flawed but flexible program has been replaced by a flawed and inflexible program. This paper shows that one size does not fit all.

In the short term, the loss of foreign workers will leave employers with limited options. Not all unemployed people are willing to take a job that does not interest them or that they are not good at. Over the medium to long term, employers may find ways to adapt by bringing under-represented populations – such as Aboriginal or disabled people – into the workforce. Governments may need to offer training and support to make this happen.

¹ For a historical overview of the Temporary Foreign Worker Program and details about the most recent set of changes, see *Shedding light on the TFW Program*, by Farahnaz Bandali, Canada West Foundation, December 2014.



CANADA'S FOREIGN WORKER PROGRAM changed dramatically in June 2014 when the government split the program in two. The Temporary Foreign Worker Program (TFWP) focuses primarily on low-skilled work and a new program, the International Mobility Program (IMP), focuses on high-skill and high-wage jobs. Although the name has been retained, the TFWP has new rules and processes that make bringing a foreign worker into Canada more complicated.

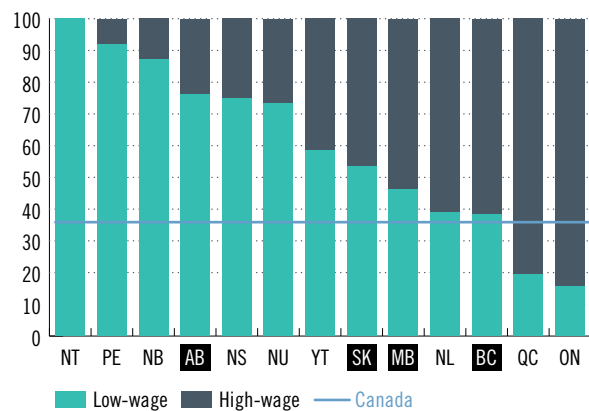
The new program design will result in fewer temporary foreign workers entering the country, particularly those who would fill jobs that pay low wages, such as hotel workers and food servers. Limits are being placed on low-wage temporary foreign workers regardless of how many Canadians are willing and able to work in these jobs. Beginning in July 2015, employers can have no more than 20 per cent of their workforce as low-wage temporary foreign workers and this must be reduced to 10 per cent starting in July 2016. Employers can hire more low-wage temporary foreign workers if they hire more Canadians. However, if they cannot find Canadians, employers must then hire fewer temporary foreign workers. Similar limits are not placed on other types of foreign workers.

KEY FINDINGS

Program changes target low-wage temporary foreign workers

The limits on low-wage temporary foreign workers will disproportionately affect certain parts of the country. Low-wage temporary foreign workers are most prevalent in western Canada, the Maritimes and the territories, and less commonly employed in Ontario and Quebec (Figure 1).

FIGURE 1: 2013 TEMPORARY FOREIGN WORKER ENTRIES BY WAGE LEVEL ACROSS CANADA (%)



Source: 2013 Citizenship and Immigration Canada preliminary tables and Government of Canada, *Overhauling the Temporary Foreign Worker Program*, 2014

Program changes impact the wrong provinces

The new TFWP will hit provinces with low unemployment hardest and will only slightly affect some provinces and territories where there is higher unemployment. However, a few regions with higher unemployment will also be affected by the changes, though they have more potential workers to fill jobs vacated by foreign workers.

Much of western Canada relies heavily on the TFWP and has had low unemployment (Figure 2). In these provinces, the 2014 changes will create hiring difficulties for some employers, although current lower oil prices are expected to ease the labour crunch in some regions. For the most part, regions with low unemployment will have to reduce the number of low-wage temporary foreign workers they bring in by a larger proportion than provinces with higher unemployment. Alberta, Manitoba and Saskatchewan will have to reduce their low-wage entries by more than 50 per cent of their 2013 levels while Ontario will see only a 30 per cent reduction (Figure 3). On the whole, regions with high unemployment and more jobless Canadians are required to reduce their low-wage temporary foreign worker entries by less than provinces with low unemployment.

FIGURE 2: THE THREE WESTERNMOST PROVINCES HAVE THE HIGHEST RELIANCE ON THE TFWP

■ **High** reliance on TFWs + **Low** unemployment
■ **Low** reliance on TFWs + **High** unemployment

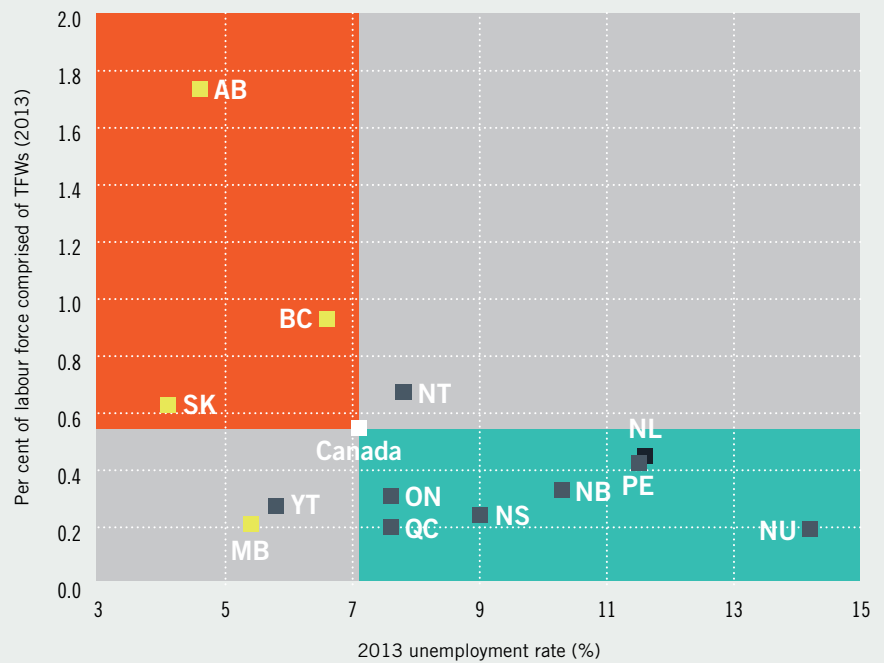
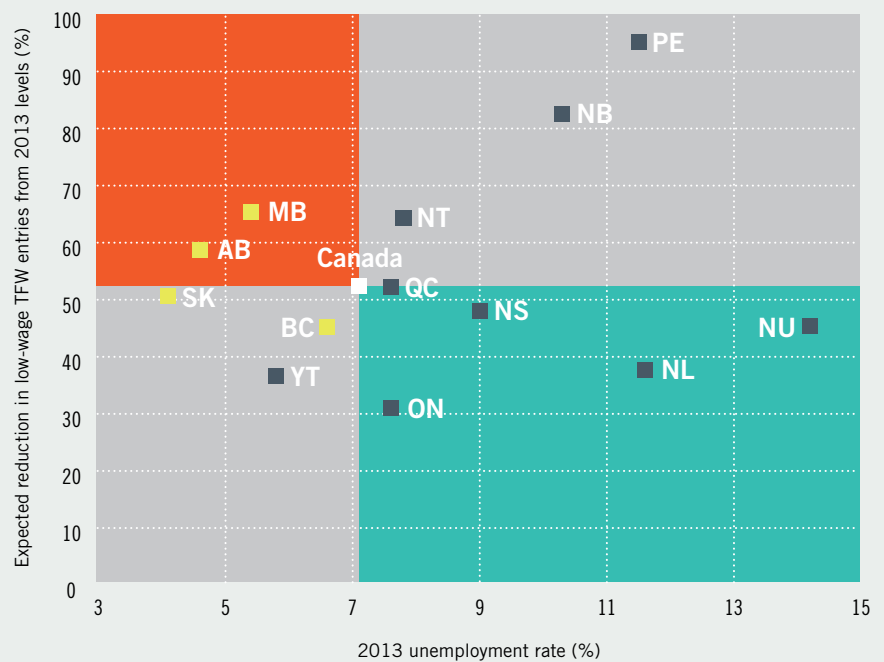


FIGURE 3: CHANGES TO THE TFWP AFFECT PROVINCES WITH LOW UNEMPLOYMENT

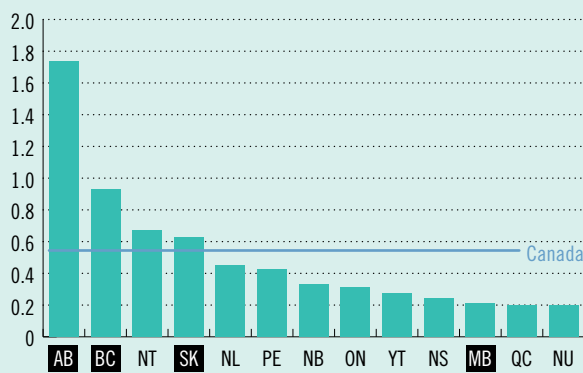
■ **High** reduction in low-wage TFW entries + **Low** unemployment
■ **Low** reduction in low-wage TFW entries + **High** unemployment



THE WEST WILL BE PARTICULARLY HARMED

Alberta, British Columbia and Saskatchewan rely heavily on temporary foreign workers.

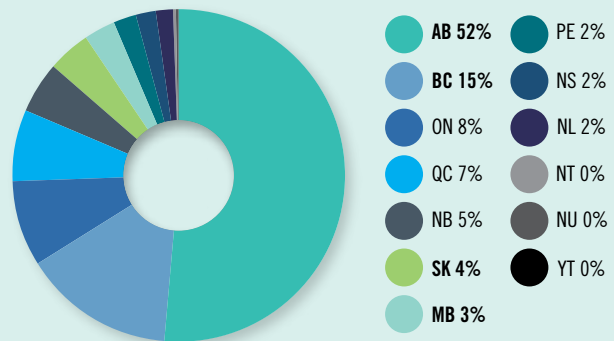
FIGURE 4: PER CENT OF LABOUR FORCE COMPOSED OF TEMPORARY FOREIGN WORKERS
(PRESENT ON DECEMBER 31, 2013)



Source: 2013 Citizenship and Immigration Canada facts and figures and CANSIM tables 282-0087 and 282-0100

Two-thirds of the reduction in low-wage temporary foreign worker entries will come from **Alberta** and **British Columbia**.

FIGURE 5: BURDEN OF THE EXPECTED REDUCTION IN LOW-WAGE TEMPORARY FOREIGN WORKER ENTRIES, BY PROVINCE (BY 2016)



Source: Government of Canada, *Overhauling the Temporary Foreign Worker Program*, 2014

The West has the lowest unemployment rates across the country.

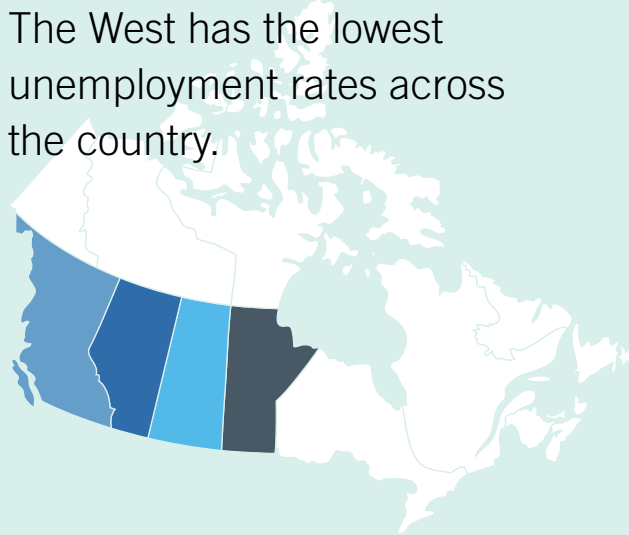
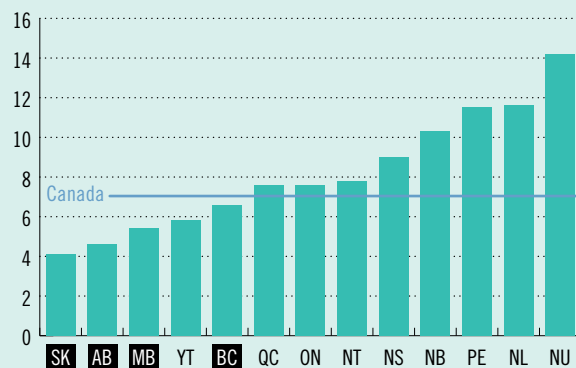


FIGURE 6: UNEMPLOYMENT RATE (%)
(2013 SEASONALLY ADJUSTED)²



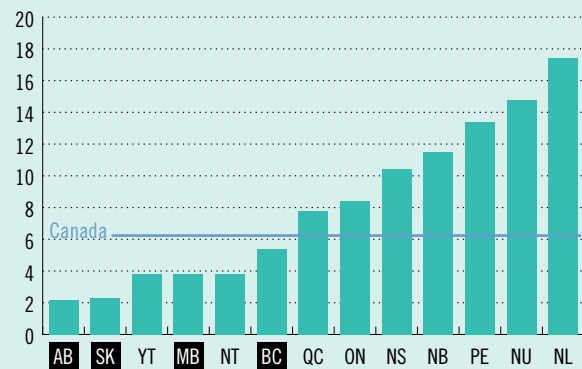
Source: CANSIM tables 282-0087 and 282-0100

² Nunavut unemployment rate is seasonally unadjusted due to a lack of available data.

Western Canada has fewer unemployed people for every job vacancy.³



FIGURE 7: UNEMPLOYMENT-TO-JOB VACANCIES RATIO (2013 ESTIMATE)



Source: CANSIM table 284-0003, Canada West Foundation estimates

TABLE 1: TEMPORARY FOREIGN WORKERS AND LABOUR MARKET STATISTICS (2013)

	Reliance on TFWs (per cent of labour force comprised of TFWs)	Unemployment rate (%)	Number of unemployed for every job vacancy (estimates)	Reduction in low-wage TFW entries by 2016	Labour force
Canada	0.55	7.1	6.2	16,728	19,035,300
AB	1.74	4.6	2.2	8,407	2,332,600
SK	0.63	4.1	2.3	704	589,200
BC	0.93	6.6	5.4	2,362	2,424,800
MB	0.21	5.4	3.8	481	661,800
ON	0.31	7.6	8.4	1,369	7,382,300
NL	0.45	11.6	17.4	254	274,800
PE	0.42	11.5	13.4	377	83,800
NS	0.24	9.0	10.4	327	497,600
NB	0.33	10.3	11.5	775	395,000
QC	0.20	7.6	7.8	1,155	4,393,400
NT	0.67	7.8	3.8	47	25,100
NU	0.20	14.2	14.8	5	14,800
YT	0.27	5.8	3.8	15	20,400

Source: Statistics Canada, Government of Canada, Canada West Foundation estimates

³ Not all unemployed people are qualified for all vacant jobs or reside in the immediate area where there are available jobs.

PROVINCIAL BREAKDOWNS

Alberta

ALBERTA RELIES HEAVILY ON TEMPORARY FOREIGN WORKERS AND IS EXPECTED TO LOSE MORE LOW-WAGE TFWs BECAUSE OF THE CHANGES.

On December 31, 2013, temporary foreign workers made up 1.74 per cent of Alberta's total workforce (Figure 4). This is significantly higher than any other province or territory. In comparison, temporary foreign workers made up 0.31 per cent of Ontario's labour force and 0.55 per cent of the national workforce.

It is projected that there will be a national reduction of 16,278 foreign worker entries once the limits on low-wage temporary foreign workers are in full effect by 2016. Employment and Social Development Canada reports that more than half of this reduction is expected to be borne by Alberta alone (Figure 5). Alberta's high reliance on temporary foreign workers will make the impact of the reduction more pronounced.

WITH LOWER UNEMPLOYMENT, FEW PEOPLE WILL BE AVAILABLE TO TAKE THE NEWLY VACATED JOBS.

Alberta has experienced a tight labour market. Its 2013 unemployment rate of 4.6 per cent was the second lowest in the country, well below the national average of 7.1 per cent (Figure 6). Lower unemployment means that there are fewer people to fill vacant jobs. In 2013, even when there were no limits on the number of foreign workers firms could hire, Alberta had only two unemployed people per job vacancy, compared to Ontario with eight and the national average of six (Figure 7). Now, with fewer temporary foreign workers being allowed into Alberta, and therefore fewer workers overall, this is likely to become even tighter for employers, including for those who do not usually hire TFWs. Alberta's labour demand may ease due to the current economic downturn although its supply of workers may also be further constrained by people returning to their home provinces.

ALBERTA WILL BEAR THE BRUNT OF THE CHANGES.

If everything remains the same as in 2013, the new limits on low-wage temporary foreign workers would be most heavily felt by Alberta's employers. By 2016, Alberta will have to decrease its entries of low-wage temporary foreign workers by 8,407 people, six times as many as Ontario will need to give up. This is despite the fact that Ontario's labour force is three times the size and the province has significantly higher unemployment – four unemployed people for every one in Alberta.

In this paper, the number of temporary foreign workers present in a province on December 31 is used as an indicator of the reliance on TFWs by that jurisdiction's workforce. The government also provides information on entries of temporary foreign workers.⁴ Throughout 2013, Ontario had about 10,000 more temporary foreign worker entries than Alberta. However, on December 31, 2013, Alberta had almost twice as many temporary foreign workers present as Ontario. This may partly be a seasonal deviation because Ontario employs far more seasonal agricultural workers, and most will have gone home for the year by December 31. Although seasonal agricultural workers come to Canada for a fixed amount of time and are paid low wages, they are excluded from the limits placed on low-wage temporary foreign workers.

The impact of labour shortages was last felt by Alberta in 2007, a time of low unemployment and rapid growth. Although many employers successfully managed this challenge, some businesses had trouble competing with wages being offered in the natural resource sector and could not attract and retain the Canadian workers they needed. Anecdotal evidence shows that as a result of these staffing challenges, some fast-food restaurants closed for parts of the day, hotel rooms were not regularly cleaned during longer-term stays and the Canadian workers in these jobs felt they were overworked and became dissatisfied. The TFWP became one way to manage these issues. Employers in Alberta are understandably concerned that a similar situation could arise again and could slow down business expansion and even require some businesses to close.

⁴ Entries include people who left and re-entered the country in the same year.

Saskatchewan

SASKATCHEWAN'S RELIANCE ON THE TFWP IS HIGHER THAN THE NATIONAL AVERAGE.



In 2013, temporary foreign workers made up 0.63 per cent of Saskatchewan's workforce. This is the third highest among the four western provinces and above the national average of 0.55 per cent (Figure 4). To meet the new limits on low-wage temporary foreign workers, Saskatchewan will see a reduction of 704 worker entries by 2016. This will be four per cent of the total national reduction (Figure 5).

WITH THE LOWEST UNEMPLOYMENT IN THE COUNTRY, VERY FEW PEOPLE ARE AVAILABLE TO FILL VACANCIES.

Saskatchewan has the tightest labour market in the country; its unemployment rate for 2013 was the lowest at 4.1 per cent (Figure 6). The tight labour market means there are fewer unemployed people to fill vacant jobs. Like Alberta, in 2013, Saskatchewan had only two unemployed people for every available job (Figure 7).

SASKATCHEWAN WILL BE PARTICULARLY HARMED BY THE CHANGES TO THE PROGRAM.

With the lowest unemployment rate in the country, Saskatchewan will find it especially challenging to manage the limits on low-wage temporary foreign workers. Some level of unemployment is accepted and is a natural feature of labour markets because there are always some people who are in between jobs, are just entering the labour market, or are leaving it. At 4.1 per cent, Saskatchewan's unemployment rate is very close to the natural rate of unemployment. This, and the limits on low-wage temporary foreign workers, creates uncertainty about how employers in the province will manage their labour needs. This could impair investment as labour supply is often cited as the primary obstacle to investment and economic expansion.

ALBERTA		1.74% LABOUR FORCE COMPRISED OF TEMPORARY FOREIGN WORKERS	4.6% UNEMPLOYMENT RATE	8,407 EXPECTED REDUCTION IN LOW-WAGE TEMPORARY FOREIGN WORKER ENTRIES
SASKATCHEWAN		0.63% LABOUR FORCE COMPRISED OF TEMPORARY FOREIGN WORKERS	4.1% UNEMPLOYMENT RATE	704 EXPECTED REDUCTION IN LOW-WAGE TEMPORARY FOREIGN WORKER ENTRIES
ONTARIO		0.31%	7.6%	1,369
CANADA		0.55%	7.1%	16,728 (TOTAL)

British Columbia

B.C. RELIES HEAVILY ON TEMPORARY FOREIGN WORKERS AND IS EXPECTED TO LOSE A SIGNIFICANT NUMBER OF LOW-WAGE TFWS.

British Columbia has the second highest reliance on temporary foreign workers of any province or territory. On December 31, 2013, temporary foreign workers made up 0.93 per cent of the B.C. labour force, while the national average was 0.55 per cent (Figure 4).


Once the limits on low-wage temporary foreign workers are in full effect by 2016, B.C. is expected to reduce its entrants by 2,362. This will account for 15 per cent of the nation's reduction (Figure 5). Only Alberta will have lost more low-wage temporary foreign workers.

B.C.'S HIGHER UNEMPLOYMENT MIGHT MITIGATE THE FULL IMPACT OF THE CHANGES TO THE PROGRAM.

In 2013, B.C.'s unemployment rate was 6.6 per cent. This is the highest among the four western provinces, but below the national rate of 7.1 per cent (Figure 6). With the highest unemployment rate of the four western provinces, B.C. employers will have a relatively larger pool of people to draw from to fill vacancies. For each vacancy, there were five unemployed people in B.C., compared to the national average of six and eight in Ontario (Figure 7).

Nonetheless, it is possible that not all unemployed people are willing to take any available job. Since low-wage jobs are more likely to require lower skill levels and more specific on-the-job training, a large portion of the unemployed workforce could be expected to take these jobs. Whether they actually do, however, may come down to a matter of preference and aptitude. For example, labourers who work outside with their hands may not consider taking jobs that are indoors and service oriented, even if they are unemployed. Improved labour market information would help compare the preferences, aptitudes and location of unemployed people to job vacancies within each province.

When the limits on low-wage temporary foreign workers come into effect by 2016, B.C. will have to reduce entries by about 1,000 more workers than Ontario. This will occur even though Ontario has three times the labour force, higher unemployment and three more unemployed people for every job vacancy than B.C.

BRITISH COLUMBIA 	0.93%	6.6%	2,362
	LABOUR FORCE COMPRISED OF TEMPORARY FOREIGN WORKERS	UNEMPLOYMENT RATE	EXPECTED REDUCTION IN LOW-WAGE TEMPORARY FOREIGN WORKER ENTRIES
ONTARIO	0.31%	7.6%	1,369
CANADA	0.55%	7.1%	16,728 (TOTAL)

Manitoba

MANITOBA HAS ONE OF THE LOWEST DEPENDENCIES ON TEMPORARY FOREIGN WORKERS AND WILL HAVE TO REDUCE ITS LOW-WAGE TFWs BY LESS THAN THE OTHER WESTERN PROVINCES.

Manitoba has one of the lowest reliances on temporary foreign workers across the country. On December 31, 2013, temporary foreign workers made up 0.21 per cent of the provincial labour force (Figure 4). By 2016, Manitoba is expected to decrease its entry of low-wage temporary foreign workers by 481. This is the lowest among the four western provinces and will account for three per cent of the national reduction (Figure 5).

WITH LOWER UNEMPLOYMENT, MANITOBA HAS FEWER PEOPLE AVAILABLE TO FILL VACANCIES.

Manitoba has not relied heavily on temporary foreign workers despite having low unemployment. In 2013, Manitoba had the third lowest unemployment rate across the country at 5.4 per cent, well below the national rate of 7.1 per cent (Figure 6). With a lower unemployment rate, there are fewer unemployed people for each available job. Manitoba had about four unemployed people for every vacancy, the third lowest in the country behind Alberta and Saskatchewan and tied with Yukon (Figure 7).


OF THE WESTERN PROVINCES, MANITOBA WILL BE LEAST AFFECTED BY THE CHANGES TO THE PROGRAM. SOME SECTORS, HOWEVER, WILL BE HARD HIT.

Manitoba is expected to feel the least impact from the changes of any of the western provinces. When the limits on low-wage temporary foreign workers come into full effect,

Manitoba is expected to reduce its low-wage TFWs entries by less than Saskatchewan, even though Manitoba has a slightly larger workforce, higher unemployment rate than Saskatchewan and one more unemployed person for every job vacancy in the province.

Manitoba's strategy, over the longer term, has been to meet its labour needs by attracting permanent immigrants. As a result, it has one of the lowest dependencies on temporary foreign workers across the country. However, while Manitoba does not rely heavily on low-wage temporary foreign workers overall, individual employers may be negatively affected by the changes to the program. Companies such as meat-packing businesses employ large concentrations of low-wage temporary foreign workers and will have to adhere to the limits imposed by the federal government. Very small businesses, with nine employees or less, are exempt from the limits on low-wage temporary foreign workers and are permitted to staff their businesses with a full suite of low-wage TFWs.

Manitoba has also been leading the country in the way that it has kept track of the temporary foreign workers employed. Firms are required to register their temporary foreign workers with the province. This program has better enabled the Manitoba government to support eligible workers into its Provincial Nominee Program to gain permanent residency and helped Manitoba businesses better manage their labour needs. Still, a steady flow of new temporary foreign workers has been vital to the province.

MANITOBA		0.21%	5.4%	481
		LABOUR FORCE COMPRISED OF TEMPORARY FOREIGN WORKERS	UNEMPLOYMENT RATE	EXPECTED REDUCTION IN LOW-WAGE TEMPORARY FOREIGN WORKER ENTRIES
ONTARIO		0.31%	7.6%	1,369
CANADA		0.55%	7.1%	16,728 (TOTAL)

NEXT STEPS

The Temporary Foreign Worker Program design is aimed at preventing employers from hiring foreign workers over Canadians. The policy, however, is less effective in eastern Canada where there are higher rates of unemployment and overly effective in the West. In the West, the primary challenge is that there are relatively more jobs than available Canadians who are willing and able to fill those jobs. The policy would be more suitable if it reduced the number of foreign workers in areas with high unemployment and provided flexibility and options in areas where there are fewer available workers. If all things remain equal, the limits on low-wage temporary foreign workers will generally leave western Canadian employers with no alternatives for labour in the short term.

On the upside, if the changes to the program are supported by other interventions, there could be some benefits in the medium to long term. Interventions that increase the labour supply from within the existing Canadian population may become critical in the absence of foreign workers.

This includes finding ways to increase participation of under-represented populations in the workforce, especially people with disabilities and Aboriginal people. Governments will need to play a leadership role in these types of interventions as increasing labour force participation is often too large, expensive or risky an undertaking for individual employers.

It is not clear whether denying employers access to workers from abroad will help with local unemployment. Although there has been speculation on the outcomes of the changes to the TFWP, the economic impact has not been projected, including the associated decreases in unemployment. It has also not been assessed how the decrease in access to temporary foreign workers could ultimately decrease the employment of Canadians due to businesses shutting down shifts or closing altogether.

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