Leveraging human resources for long-term prosperity: Expanding pathways to permanence for lower-skill temporary workers in Canada

EXECUTIVE SUMMARY

Canada welcomes over 350,000 new permanent residents every year and close to 600,000 temporary residents (including international students and temporary foreign workers of various skill levels). Since 2008, about two thirds of individuals “landing” in Canada as permanent residents were already living in the country under temporary status. For the most part, however, pathways to permanent residence have only been available to individuals categorized as “high-skill” workers. Although detailed information on occupational profiles are not available for most temporary foreign workers, we estimate that approximately 300,000 are currently employed in lower-skilled jobs in Canada. For these lower-skill workers, opportunities to transition from temporary to permanent status have been very limited. The pandemic has shown that lower skill temporary foreign workers are essential for the economy and fulfill long-term needs in sectors with ongoing demand. Several small pilot programs and provincial nominee streams have sought to address these bottlenecks of transition from temporary to permanent status for lower-skilled workers in specific sectors with limited success. The newly announced transition program for 90,000 temporary residents to permanent status is time limited, and faces other challenges. Below we propose an innovative policy that would offer a long-term solution to this systemic issue and build important resilience and flexibility into the Canadian immigration system. We believe that this policy would be beneficial to Canada on both ethical and instrumental grounds. That is, Canada would extend greater respect for the rights of what are now routinely labelled “essential workers”, and also ensure a greater supply of workers in a number of occupations that may be seen as mundane, but are nevertheless in high demand.

By designing a thoughtful policy that ensures Canadian employers gain much needed labour, while protecting the rights of workers (both Canadian and foreign), the government can leverage its stock of lower-skill temporary foreign workers to fill demand in essential sectors of the economy and also contribute to the growth of the nation.
In this policy brief, we argue that under certain circumstances temporary migrant workers in lower-skill, but often essential, occupations should have an ongoing pathway to permanent residence. Canada is already experimenting with pathways to permanent residence for lower-skill workers, including the most recent decision to enable 90,000 temporary residents (some of them in lower-skilled but essential occupations) to transition to permanent resident status (IRCC 2021). We make the case that these pilot/limited-term programs should be expanded and converted into durable, large-volume categories of immigration. We believe such an outcome would satisfy both ethical and instrumental objectives, since many of these individuals are employed in jobs with sustained demand, and permanent jobs should be filled by permanent residents.

**What is the problem and why does it need to be addressed now?**

As Canada recovers from the pandemic, the economy will require workers in a wide range of sectors and occupations (Deutscher et al. 2020). The aging population has resulted in an increasing need for health care and social services for seniors. Moreover, childcare, family services, commercial transportation, food services and building construction are all sectors that are expected to grow in the next ten years (Employment and Social Development Canada (ESDC) 2017a).

Although much of the projected employment growth in the next decade is in high-skilled occupations (National Occupational Classification (NOC) levels A (university education required) and B (college education required), the demand for lower-skill jobs (NOC levels C (high school required) and D (on the job training)) is also expected to grow, albeit at a lower rate. Once retirements are taken into consideration, it is projected that there will be 656,020 job openings per year and that 211,020 of these will be in NOC C and D occupations (ESCD 2017a). As seen in Figure 1, about 36% of the growth in employment between 2019 and 2028 is expected to be in lower-skill occupations.

![Figure 1: Projected Employment Growth by Occupational Skill Level, 2019-2028](source: Employment and Social Development, Government of Canada)
Canadian-born workers may not want to fill these roles. The educational attainment of Canadian workers has been rising steadily and is expected to continue to rise over the next 10 years (ESDC 2017b). Canada’s skill-biased economic immigration system introduces even more highly skilled individuals into the labour market. Although the primary focus of the immigration system is to fill high-skill job openings, many skilled permanent immigrants end up taking lower-skill jobs (Banerjee, Verma and Zhang 2019). This is, in part, due to the demand for lower-skilled workers (Hou, Lu and Schimmele 2020). The underemployment of high-skilled immigrants constitutes a massive brain waste and results in significant economic hardship (Picot, Hou and Coulombe 2008) and psychological turmoil (Frank and Hou 2018).

Lower-skilled jobs are also often done by temporary foreign workers. The economy relies on these sources of labour to maintain supply chains and perform essential services in a range of industries. These labour market needs are not temporary, and many temporary workers stay in, or return to, the same job for many years – falling into the trap of becoming “permanently temporary” (Yalnizyan 2021). This problem affects not only the migrant workers, but also their employers. A survey conducted by the Canadian Federation for Independent Business (CFIB) found that businesses relying on lower-skill temporary foreign workers would benefit greatly from the continuity and stability of having pathways for these workers to become permanent residents (CFIB 2020). Moreover, studies examining the employment outcomes of migrants who transition from insecure legal status to more secure status have found that regularization has some positive impact on working conditions and wages (Martinez Veiga 2007).

As the Canadian economy reopens, expanding the current two-step system to more broadly include lower-skill temporary residents would be beneficial, both for the Canadian economy and for the well-being of the workers and their families.

**Current and emerging policies**

In 2019, Canada admitted 196,658 permanent residents through its economic class programs. Of these, 63,020 (i.e., one in three) had already been employed in Canada under some form of a temporary work visa (Immigration, Refugees and Citizenship Canada 2020) and had therefore taken a “two-step” immigration journey. Although high-skill temporary residents are much more likely than their low-skill counterparts to have pathways to permanent status (Lu, & Hou 2017), there are a number of pilot programs through which lower-skill workers can apply.

The British Columbia Nominee Program allows a limited number of lower-skill workers to apply through the Entry Level and Semi-skilled Worker category and the Northeast Pilot Project. In Ontario, the In-Demand Skills Stream program provides pathways for individuals working in specific high-need occupations. The Atlantic Immigration Pilot admits lower-skill workers who want to immigrate to one of the Atlantic provinces. The Rural and Northern Immigration Pilot provides a pathway for foreign workers who have a full-time, lower-skill position in one of 11 smaller municipalities throughout Canada.

The Agri-Food Pilot program, which offers up to 2,750 individuals a pathway to permanent residence per year was established in 2020 and will run until 2023. To qualify, applicants must have worked in Canada, with a temporary work permit, in a designated occupation in an agricultural or food processing industry, in a non-seasonal job (and in the case of unionized workplaces, obtain a referral letter from the union). They must also have attained at least a high school education and meet CLB Level 4.

A highly specific pilot program is the Temporary Public Policy for Out-of-status Construction Workers in the Greater Toronto Area. This program was introduced in January 2020 and is limited to 500 individuals, plus their family members, and is in effect until January 2022. The program is open to individuals who entered Canada legally under a temporary work visa, and who are currently working in the construction sector in the GTA, without valid immigration or work authorization. They must also meet a modest language requirement (CLB Level 4), have family members living in Canada, and obtain a referral letter supplied by the Canadian Labour Congress.
Another approach involves special, additional allocations granted to provinces under the Provincial Nominee Program (PNP) framework, specifically for individuals currently in Canada under a temporary work visa, in an occupation classified as NOC-C (requires college education). For example, British Columbia received an in-year extra allocation of 250 positions in its PNP for 2020 and again for 2021, and Ontario received an in-year addition of 50 positions, also in 2020.

These programs share several commonalities: they are relatively small in scale, highly targeted, and often involve partnerships between IRCC and other stakeholders such as provinces, employers, and labour organizations. They follow the logic of “permanent residence for individuals in permanent jobs” but do not offer a large, ongoing and flexible pathway to Canada.

Most recently, the Canadian government announced a one-time intake of temporary foreign workers who intend to settle in provinces and territories outside Quebec, within the health care sector and specific “essential” occupations as well as international students. Up to 20,000 applications will be accepted from temporary workers in health care; 30,000 applications will be allotted for those in other selected essential occupations; and 40,000 applications will be allowed for international students who graduated from a Canadian institution. These three streams are replicated for francophone applicants (intending to settle outside Quebec), without numerical caps, so the total number admitted under this initiative may be well over 90,000.

The temporary foreign workers in this pilot must have at least one cumulative year of full-time work experience (or the equivalent in part-time hours) in an eligible occupation and meet a modest language requirement (Canadian Language Benchmark (CLB) Level 4, which is considerably lower than Level 7, required of applicants to the Express Entry system). This pilot program will operate until November 5, 2021, or until the targets have been reached (IRCC 2021). Although this latest initiative includes larger numbers, it must be noted that international students and professional workers make up a sizeable proportion of the target.

However within days of the opening of the program, applications from international students were no longer being accepted as the 40,000 target for applications from this group had already been submitted. Criticism has also been lodged about the process requirements for submitting applications online which have created barriers for some lower-skilled essential workers.

Moreover, advocates have raised concerns about the limited time frame of the program and the fact that it excludes refugee claimants as well as those whose status has lapsed even if they are working in essential occupations. The language requirements have also been criticized as being too restrictive (Migrant Rights Network 2021). However, it is important to note that language ability is among the most crucial determinants of successful immigrant integration (Grenier & Xue, 2011, Grondin 2005) and is therefore an appropriate basis for eligibility in our view.

Although the most recent plan is a step in the right direction, it nonetheless does not represent a stable solution to the ongoing need for lower-skill workers in a range of sectors throughout the economy. The patchwork of pilot programs and temporary initiatives currently in place result in constantly evolving rules and regulations which diminishes the efficiency and effectiveness of the programs in the long term.
Temporary foreign workers in Canada: An underutilized resource?

As Lu and Hou (2019) explain, there are two major categories of work permits offered by Canada: closed and open. Visas in the former category are typically granted to workers after their employer successfully obtains a Labour Market Impact Assessment demonstrating that no domestic workers are available to do the work. (e.g., a farmer requires additional workers during harvest season), and fall under the broad category of Temporary Foreign Workers (TFWs). (Note that in this report, we distinguish between temporary foreign workers as a generic descriptor and Temporary Foreign Workers (TFWs) as a particular visa program.) Open work visas are associated with a number of programs but share two traits: they are granted on the basis of applications submitted by individuals (rather than employers), and they enable individuals to work in any job and for any employer – including the ability to change jobs and employers (sometimes, however, restricted to specific sectors or regions within Canada). The main types of open work permits are issued for: the International Mobility Program (IMP), which is made up of many subprograms, and aims to “advance Canada’s broad economic, social and cultural national interests” (IRCC 2017); Post-Graduate Work Permits (PGWP); work visas granted to international students, spouses and partners of individuals holding student or work visas; and work visas offered to refugee claimants (and their spouses or partners) while they are awaiting decisions from the Immigration and Refugee Board.

Lu and Hou (2019) accessed the internal Temporary Residents (TR) File maintained by the Canadian government and note that the number of individuals holding all types of work visas in Canada rose from 232,600 in 2001 to 613,200 by 2016. Public information released by IRCC shows that, on December 31, 2020, there were 458,760 individuals holding valid IMP visas to work in Canada, 76,955 holding TFW visas, and 248,020 holding PGWP visas. We also know that 48,315 visas were granted to refugee claimants and their spouses in 2020. Given the information provided by Lu and Hou, and this partial, more recent data, we estimate that the total number of individuals holding all types of work visas in Canada at the present time is likely to be around 900,000. For reference, the average number of permanent immigrants admitted through the economic class per year between 2016 and 2020 was 160,625, while the average number granted temporary work visas per year during the same period was 456,972. It is important to note, however, that most PRs admitted to Canada stay, while most TRs leave, so the cumulative impact of the PR economic class, over time, is much larger than that of TR admissions.

Unfortunately, there is no detailed skill profile for most of the temporary residents, since open work permit holders are not normally required to submit information about their intended occupation. This presents a significant problem for analyzing the full stock of temporary foreign workers in Canada. It might be possible to ascertain the occupational profile of temporary workers through tax records, but this has not yet been done in any public form. The skill level of temporary workers can only be ascertained for those who supplied this information in their application forms, and it is important to acknowledge that the data refer only to intended, rather than actual, occupation. Lu and Hou (2019) were able to assemble data on just over one third of the temporary workers in Canada in 2016 and classified 135,900 as high-skill workers and 77,800 as low-skill (with skill level unknown for the bulk of the 613,200 individuals in the data set). Broadly, this suggests that something like two-thirds of temporary workers in Canada would be classified as high-skilled, with another third, or 300,000, as lower skilled.

It is also worth reflecting on another point. The principal pathway for employers to recruit the workers they want to hire is through the TFW program. For most of the other pathways to temporary work permits, individuals apply for an open work visa in the hope they will secure a job. When employers go to the trouble and cost of applying for Temporary Foreign Workers, they do this mainly to gain access to individuals who will work in NOC C or D occupations. In fact, 76.9 percent of TFWs over the 2016-2020 period were in NOC C or D occupations.
Overall, temporary residents have become a significant pool for Canada’s economic class permanent resident immigration system, and this pattern has intensified during the Covid-19 pandemic. The figure below shows the number of permanent residents (PR) who were officially landed in each month, since January 2018, who held a temporary visa before their PR visa was approved. Prior to the pandemic, approximately 30 percent of new PRs admitted to Canada were in this category. Since the start of the pandemic, this ratio rose to over 60 percent and then has become more volatile, but has returned to more than half in January 2021.

![Figure 2: Temporary Resident -> Permanent Resident Transitions, Monthly, 2018-2021](https://open.canada.ca/data/en/dataset/360024f2-17e9-4558-bfc1-3616485d65b9#wb-auto-6)

The overwhelming majority of successful PR applicants who held a work permit in Canada pre-migration were, as expected, in either the IMP category, which mainly draws upon high-skilled individuals, or those who have held Post-Graduate Work Permits (people who graduated from a post-secondary institution in Canada and who are therefore, by definition, highly educated). Only a small fraction of new PRs who worked in Canada have held TFW visas.

In an effort to meet its ambitious immigration targets for the year, in February 2021 the Canadian government invited an unprecedented 27,332 candidates to apply for permanent residence during a Canada Experience Class (CEC)-only Express Entry draw (that is applicants with either Canadian work or educational experience or both). While the required Comprehensive Ranking System (CRS) scores for this draw were significantly lower than in previous draws, because it was restricted to CEC applicants, the fundamental requirement of working in a NOC 0, A or B job remained in place. In essence, although invited individuals could have much lower adaptability scores, they were still required to be “high-skilled workers”. Thus, simply lowering the required CRS scores to issue more Invitations to Apply (ITA) under the current Express Entry programs is not an appropriate strategy for providing a sustained pathway to permanent residence for lower-skill temporary foreign workers.
What are the concerns and caveats of pathways for lower-skilled workers?

A number of concerns must be carefully considered in designing an ongoing, high-volume pathway to permanent residence for lower-skill temporary foreign workers. First, introducing large numbers of lower-skill permanent immigrants may jeopardize employment prospects for lower-skilled Canadian workers or existing immigrants, who often compete for lower-skill roles. Some empirical studies have found that there may be a small negative effect of lower-skill migration on native-born workers’ employment (e.g. Dustmann et al. 2013). However, most reviews of research have shown that lower-skilled migration does not have a deleterious effect on native-born workers (Ruhs and Vargas-Silva 2020). In fact, Foged and Peri (2016) found in their longitudinal analysis of Danish data that lower-skill immigration encouraged lower-skill native-born workers to pursue less manual-intensive jobs and therefore had positive effects on their wages, employment, and occupational mobility. The economic impact of larger volumes of lower-skill immigrants in the Canadian context depends significantly on the magnitude of labour market demand for these workers.

McDaniel, Wong and Watt (2015) argue that labour shortages in Canada are limited to a few specific occupations and regions. However, the post-pandemic recovery may drastically alter Canada’s economic landscape. The Bank of Canada predicts a strong revival of the economy once the pandemic is over, which is likely to drive robust demand for workers in a range of sectors and occupations (Pittis 2021). McDaniel et al. (2015) emphasize the importance of incorporating underutilized populations, such as Indigenous workers, youth, disabled workers, unemployed older workers and existing immigrants into the labour force. In our view, the post-Covid-19 expansion of the labour market will have room for underutilized groups and a significant number of lower-skilled immigrant workers.

A related potential concern is whether Canadians will remain positive towards immigration if it includes larger numbers of lower-skill individuals. Public opinion surveys indicate that Canadians’ are overwhelmingly supportive of immigration and they see it as contributing to domestic economic growth (Environics 2020). Studies out of Europe and the United States have consistently shown that the views of the domestic population on immigration vary significantly by the skill level of migrants; less skilled migrants tend to be viewed less favourably due to the perceived economic burden that they bring (Naumann, Stoetzer and Pietrantuono 2018). Successful employment integration is crucial for countering this perception. There is currently very little empirical evidence on the impact of large volume lower-skill permanent immigration in the Canadian context, making it difficult to predict the ripple effects of this policy shift. However, the evolving Canadian caregiver program (CP) is a relatively rare example of a low-skill temporary foreign worker program which has had a pathway to permanent residence. Therefore, it may be useful to examine this program as a case study.

Case study of temporary to permanent transition: Live-in caregivers

The Live-in Caregiver Program (LCP) was formed in 1992 under the umbrella of the Temporary Foreign Worker Program. Unlike most other Temporary Foreign Worker streams, the LCP allowed caregivers to apply for permanent resident status upon completing 24 months of full-time work as a live-in caregiver for children, the disabled or the elderly. The LCP has seen a number of changes over the years and in 2019, two new pilot programs replaced the program: the Home Child Care Provider Pilot and Home Support Worker Pilot. These two programs allow open work permits and family members to accompany the worker while they are temporary residents, but restrict the annual number of permanent resident applicants to 2,750 per program. Despite the fact that access to permanent residence has become much more limited, thousands of caregivers, mostly women from the Philippines (Kelly, Park, de Leon and Priest 2011), have transitioned from temporary to permanent status over the past several decades. The experiences of these women provide useful insights into the impact of lower-skill two-step migration in the Canadian context.

Results from a forthcoming study by Lightman et al. indicate that women who immigrated through the LCP category had a lower unemployment rate upon landing (8%) than women entering through the skilled worker class (11%). This suggests that lower-skill two-step migrants face fewer barriers to labour market participation than high-skill immigrants arriving directly from abroad. Banerjee et al. (2018) collected survey and focus group data from former caregivers who had attained permanent resident status. The data showed that attaining permanent resident status did
not dramatically change the occupational fields of LCP immigrants. Nearly 19% of long-term LCP immigrants (10 years or more since landing) worked as personal support workers/health care aids. In addition, more than 16% continued to work as caregivers or nannies, even after more than 10 years in Canada (See Figure 3). This research showed that LCP immigrants were important contributors to essential sectors of the economy after becoming permanent residents. However, they faced numerous challenges in their transition such as: challenges of family reunification; lack of settlement support; being pigeonholed into jobs with little opportunity for upward mobility (Banerjee et al. 2018).

There are important lessons we can learn from the transition and integration experiences of LCP immigrants. First, concerns about unemployment and financial burden to the state may be unfounded. The LCP case has shown that lower-skilled immigrants can be self-sufficient economic contributors. Moreover, it highlights that lower-skill workers often remain in or near their occupation even after transitioning to the open labour market. This is likely the result of a combination of factors including occupational niches that arise from co-ethnic social networks. Workers who remain in similar occupational fields after getting PR ensure stability of labour supply going forward.

Second, it is equally important to learn from the challenges that LCP immigrants faced. Many felt frustrated by the lack of settlement services available to them when they had temporary status, and the barriers and difficulties their families faced when they reunited in Canada after becoming PR. Kelly (2015) confirms that Filipino 1.5 and second-generation youth in Canada face anomalously low educational trajectories, and attributes this, at least in part, to their parents’ struggles of transitioning from temporary foreign worker to permanent immigrant. This points to the need for early, targeted and intensive settlement support for not only the applicant, but the entire family.

Figure 3: Filipina LCP Immigrants’ Occupations by Years in Canada
POLICY RECOMMENDATIONS

1. Create an ongoing, high-volume pathway to permanent residence for lower-skilled temporary residents

We recommend an ongoing, high-volume pathway to permanent residence for selected individuals currently on temporary visas and employed in NOC C and D occupations. At the moment, there are few pathways available to these individuals, and most of the existing options are run as pilot programs. These programs are typically issued with an annual cap of a limited number of participants. Although the government recently announced a program to allow 90,000 temporary residents to be granted PR, this one-time initiative has a very short time frame and does not target lower-skill workers in particular. The labour market demand for workers in essential, but lower-skill occupations is not temporary, it is ongoing. It is therefore imperative to move beyond time-limited, ad-hoc initiatives and establish a long-term, stable solution to this problem from both an ethical and an instrumental perspective.

2. Allocate 10-20% of economic Principal Applicant admissions towards lower-skilled workers

We recommend allocating approximately 10 to 20 percent of economic Principal Applicant admissions per year towards lower-skill workers. Eligibility should be based on Canadian work experience, language ability and occupational demand. We recommend a language requirement of CLB Level 4 to ensure that applicants have adequate language skills to adapt to life in Canada. The eligible occupational groups must be determined through detailed analysis of labour supply and demand trends. This requires partnerships between the federal government, provinces, municipalities, employers, labour organizations and other stakeholders and regular data gathering and sharing between stakeholders. Several of the current pilot programs already feature such partnerships and this model should be leveraged and scaled up.

3. Invite eligible temporary foreign workers to apply for Permanent residence on a “first-come, first served basis”

Temporary foreign workers meeting the eligibility requirements should be invited to apply for permanent resident status on a “first-come, first-served” basis within specified windows of time to prevent backlogs.

4. Introduce mechanisms to protect foreign workers and shield the domestic workforce from any deterioration of wages

Current temporary foreign worker streams should continue to operate but employment standards, including wages paid, must be rigorously inspected and strictly enforced for all temporary foreign workers on an ongoing basis. Information about labour rights, including prevailing wages, must be provided to both employers and temporary foreign workers. We believe that the two items related to this issue in the 2021 budget ($54.9 million and $6.3 million, to be spent over the next three years, respectively, on enhanced inspection and monitoring of the conditions of work for TFWs, and to support vulnerable TFWs who had to leave their jobs) are timely and important steps in this direction. Moreover, occupations deemed to be eligible for transition to permanent status should allow open work permits.

It is crucial to shield the domestic labour force from any deterioration in wages as a result of this policy. Therefore, employers hiring temporary foreign workers must be required to prove that they are paying the prevailing wage rate. This requires regular monitoring of workplaces and dialogue with TFWs and organizations that support them.
5. Invest in targeted settlement services

We strongly recommend that temporary foreign workers eligible to transition to permanent status be eligible for settlement services and language training when they first enter since this is when they need these services the most. Targeted settlement services will play a crucial role to ensure that this policy is successful and language training must be a priority for both the principal applicant and any family members who might accompany that person. Moreover, the needs of newcomer children and youth arriving through this immigration stream (whether this occurs while the principal applicant is working in Canada as a temporary resident, or later, following the transition to permanent residence), must be front and centre. The experiences of the 1.5 and second generation will determine the long-term impact of this policy shift, so investment in child and youth centred settlement services is a vital component of the policy recommendation.

6. Support this policy shift with a communications program that highlights the economic contribution of these workers

The communications aspect of this policy shift is very important. The contributions of these workers should be clearly articulated to the Canadian public. Success stories must be featured, and the benefit of lower-skill permanent immigrants to the Canadian economy must be shown through data. The current lack of detailed, publicly available data on large swathes of temporary foreign workers in Canada is a glaring weakness and inhibits a full analysis of the stock and flow of these workers, as well as their economic contribution.

By designing a thoughtful policy that ensures Canadian employers gain much needed labour, while protecting the rights of workers (both Canadian and foreign), the government can leverage its stock of lower-skill temporary foreign workers to fill demand in essential sectors of the economy and also contribute to the growth of the nation.
REFERENCES


