

Immigration as a source of labour supply

Released at 8:30 a.m. Eastern time in *The Daily*, Wednesday, June 22, 2022

Immigration has always been the driving force behind Canada's labour supply. But with job vacancies in late 2021 80% higher than before the COVID-19 pandemic and the working age population aging, high levels of immigration will be even more critical to the labour market.

A new presentation released today, "[Research to Insights: Immigration as a Source of Labour Supply](#)," includes insights from research that examine the contribution of immigration in addressing labour supply challenges over the past decades to help inform current labour market shortages and the potential role of immigrants to address current gaps.

Immigrants fill labour shortages in many sectors

In the 2010s, immigrant workers accounted for 84% of the growth in the total labour force, 55% of the growth in high- and medium-skilled jobs, and offset decline in lower-skilled jobs among Canadian-born workers.

Since 2010, the shares of new and recent immigrants grew the fastest in transportation and warehousing, professional services, and accommodation and food services. In 2021, recent immigrants (in Canada 10 years or less) made up 8% of the total employed labour force, but accounted for 13% in the accommodation and food services sector, 11% in the professional services sector, and 10% in the manufacturing and transportation sectors.

Labour market outcomes improve for new immigrants

The labour market outcomes of recent immigrants improved substantially in the years leading up to the pandemic. Since the early 2010s, core-aged (25 to 54 years) recent immigrants experienced faster growth in the employment rate than their Canadian-born counterparts, an 8 percentage-point increase from 2010 to 2021, compared with a 2 percentage-point increase among Canadian-born workers. In 2021, the employment rate was 77% among recent immigrants, 81% among longer-term immigrants, and 84% among the Canadian born.

There was also a steady increase in the initial earnings of new economic immigrants. Earnings in the first full year rose 39% among economic immigrants between the 2010 and 2018 entry cohorts, driving an overall 35% increase for all new immigrants. Earnings growth was also large among family class immigrants (27%). The average annual earnings of refugees grew 9% over this period.

Underutilization of skill remains a problem

While economic outcomes of recent immigrants have improved, substantial challenges related to their skill utilization continue to persist. From 2001 to 2016, the percentage of university-educated recent immigrants working in jobs requiring a university degree decreased from 46% to 38%. In comparison, the percentage of workers in jobs requiring a university degree stayed close to 60% among young (25 to 34 years) Canadian-born workers with at least a bachelor's degree.

Temporary foreign workers and international students have become an integral part of the labour force

Canada is increasingly reliant on temporary foreign workers (TFWs) to fill labour shortage gaps. The number of TFWs (work permit holders on December 31 in each year) increased seven-fold from 111,000 in 2000 to 777,000 in 2021. The share of TFWs among all workers with T4 earnings rose from 2% in 2010 to 4% in 2019, and was particularly high in some of the lower-skilled sectors in 2019, such as agriculture (15%); accommodation and food services (10%); and administrative and support, waste management and remediation services (10%). TFWs were also overrepresented in some higher-skilled industries, such as professional, scientific, and technical services sector (6%); and information and cultural industries (5%).



Between 2000 and 2019, the number of international students with T4 earnings increased from 22,000 to 354,000, a result of both a higher number of international students and their rising labour force participation rate (from 18% to 50%). The increases were particularly large at the non-university postsecondary level, where the labour force participation rate rose from 7% to 58% and the number of participants rose from 3,000 to 173,000.

Transition to permanent residency

Temporary foreign workers and international students are transitioning to permanent residency in greater numbers. About 25% of TFWs who arrived in Canada in the late 2000s and early 2010s became permanent residents within five years after obtaining their first work permit, compared with the rate of 18% among those who arrived in the early 2000s. Lower-skilled TFWs tended to have higher rates of transition to permanent residency when compared with their higher-skilled counterparts, although the difference became small among those who arrived in the early 2010s.

One-third of international students who arrived in the late 2000s and early 2010s became permanent residents within 10 years of being in Canada. The transition rate reached 50% for international students at the graduate level and 60% for those with Canadian work experience.

In recent years, 40% to 60% of new economic immigrants were former TFWs or international students. In 2020, that number rose to 67% among principal applicants in the economic class. The increasing selection of economic immigrants from among temporary foreign workers—the two-step selection—is an important contributing factor for the improvement in the labour market outcomes of new immigrants in recent years.

The product "[Research to Insights: Immigration as a Source of Labour Supply](#)" is now available as part of A *Presentation Series from Statistics Canada About the Economy, Environment and Society* (**11-631-X**).

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; infostats@statcan.gc.ca) or Media Relations (statcan.mediahotline-ligneinfomedias.statcan@statcan.gc.ca).