

Study: Increasing selection of immigrants from among temporary foreign workers in Canada

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Global travel restrictions in response to COVID-19 have hampered the inflow of immigrants from abroad. According to monthly updates provided by Immigration, Refugees and Citizenship Canada, the number of people who were granted permanent resident status fell 75% in April and May on a year-over-year basis, and the processing of immigration applications has mostly been restricted to temporary foreign workers who are already in Canada. The selection of economic immigrants from among temporary foreign workers has been a growing trend since the early 2000s, and it has had a strong impact on new immigrants' labour market outcomes.

Statistics Canada is releasing the first three studies of a five-part series that provides a broad overview of the increasing importance of temporary foreign workers in the selection and labour market outcomes of new immigrants in Canada. These studies are conducted in collaboration with Immigration, Refugees and Citizenship Canada.

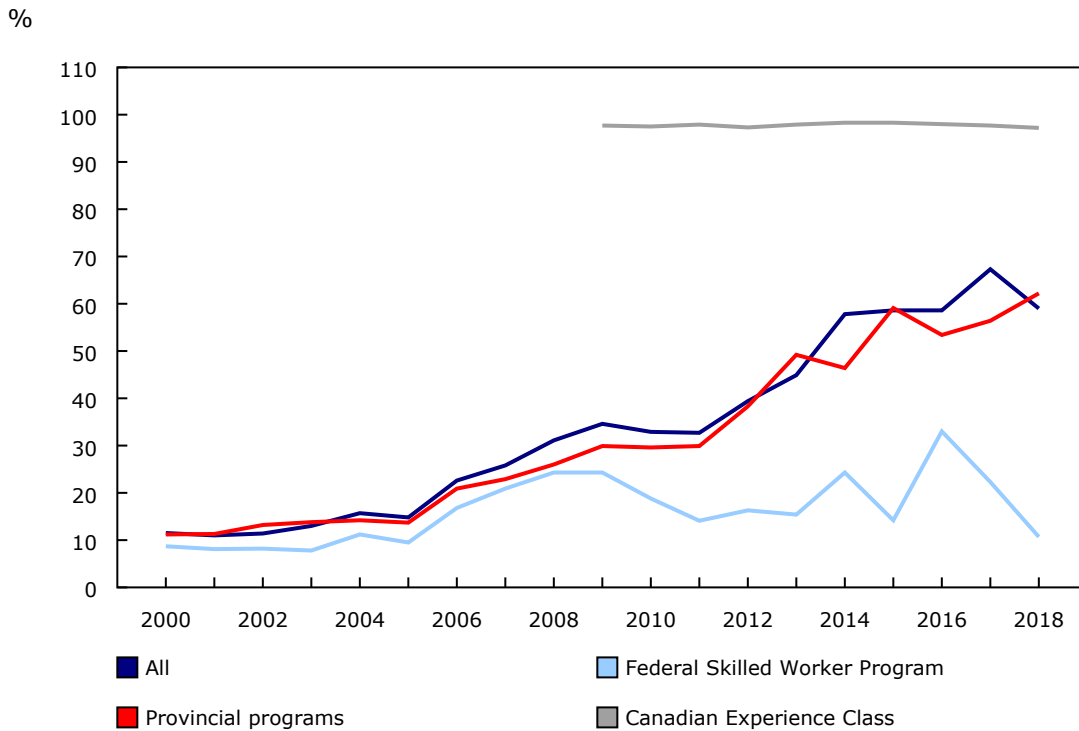
In 2018, 46% of new economic immigrants were former temporary foreign workers—up from 8% in 2000. The process of selecting economic immigrants from among temporary foreign workers and international students is often referred to as two-step immigration selection. In this process, Canadian employers play a major role in recruiting and evaluating temporary foreign workers, while the government determines how many and which temporary residents are eligible for admission as permanent residents.

The first study, "Two-step immigration selection: A review of benefits and potential challenges," synthesizes international and Canadian studies on the pros and cons of two-step immigration selection. Two-step selection can improve the match between immigrant skills and labour market demands because employers can directly assess temporary foreign workers' skills and intangible qualities. Some potential issues associated with dependence on temporary foreign workers have been seen during the COVID-19 pandemic, including uncertainty of labour supply to essential industrial sectors and poor working conditions for some temporary foreign workers.

The second study, "Two-step immigration selection: An analysis of its expansion in Canada," documents the evolution of two-step immigration selection since the early 2000s. In 2000, 12% of new economic immigrant principal applicants had worked in Canada before obtaining permanent residency, as indicated by their pre-immigration Canadian earnings. This share increased to 59% in 2018.



Chart 1
The share of economic immigrant principal applicants who worked in Canada before immigration, 2000 to 2018 landing cohorts



Source(s): Longitudinal Immigration Database.

This expansion was propelled by the rising number of temporary foreign workers and their increased rate of transition to permanent residency. Over the 2000-to-2018 period, the number of temporary foreign workers (those who held valid work permits on December 31) in Canada went up from roughly 60,000 to 429,300 people. Among temporary foreign workers who obtained their first work permits in 2001, 30% became permanent residents within the following 10 years. This transition rate increased to 39% for those who first arrived in the mid- 2000s.

The increased transition rate is related to the growth of the Provincial Nominee Program and the introduction of the Canadian Experience Class (CEC). In 2018, 25% of economic immigrant principal applicants were admitted through the Federal Skilled Worker Program (FSWP), while 46% were selected under provincial programs and 20% were selected through the CEC.

The various admission programs differed considerably with respect to the shares of new immigrants who had previously worked in Canada. Among principal applicants admitted in 2018, 11% of FSWP immigrants had worked in Canada before immigration, compared with 62% in the provincial programs and 97% in the CEC.

The third study, "Two-step immigration selection: Recent trends in immigrant labour market outcomes," examines the relationship between two-step immigration selection and immigrant labour market outcomes.

The employment incidence (the percentage of immigrants with positive annual earnings) in the first full year after immigration rose from 81% to 87% from 2000 to 2016 among men aged 20 to 54 years and from 61% to 67% among women. The increase in employment incidence was attributable mostly to the rising share of new immigrants who had worked in Canada before immigration at medium (\$20,000 to \$50,000 in 2017 dollars) or high (over \$50,000) annual earnings levels.

Similarly, average earnings in the first full year after immigration among employed men rose by 23% between the 2000 and 2016 landing cohorts, and by 32% among employed women. Over 90% of the increase for men and women was attributable to the rising share of new immigrants who worked in Canada before immigration.

Immigrants who worked in Canada before immigration had significant benefits in labour market outcomes over immigrants without Canadian work experience. Among economic immigrants who landed from 2000 to 2005, those with medium or high earnings as temporary foreign workers had an employment incidence 19 to 20 percentage points higher in the first full year after immigration than immigrants without Canadian work experience. This gap narrowed to 10 percentage points 5 years after immigration and remained at 7 percentage points 10 years after immigration.

Similarly, economic immigrants who landed from 2000 to 2005 and who had medium-level earnings in Canada before immigration earned 38% more in the 1st full year after immigration than immigrants without Canadian work experience, 17% more in the 5th year, and 13% more in the 10th year. Immigrants who landed during this period and who had high earnings in Canada before immigration earned 4.2 times more than of immigrants without Canadian work experience in the 1st full year after immigration, 2.6 times more in the 5th year, and 2.1 times more in the 10th year.

The research articles titled [Two-step immigration selection: A Review of Benefits and Potential Challenges](#), [Two-step Immigration Selection: An Analysis of its Expansion in Canada](#), and [Two-step Immigration Selection: Recent Trends in Immigrant Labour Market Outcomes](#), part of the *Economic Insights* series (11-626-X), are now available. The final two articles will be released in August 2020.

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