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Foreign workers in Canada: Labour force attachment among temporary residents with paid employment in 2019

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Temporary residents constitute an important supply of labour for the Canadian economy. However, some of them do not work in a given year, even when holding a valid work permit (Lu & Hou, 2023a, 2023b). Of those who are employed, some work part time or part year because of program restrictions, permit length or other reasons. As a result, a simple headcount of employed temporary residents overestimates their impact on the labour force and their contribution to the Canadian economy.

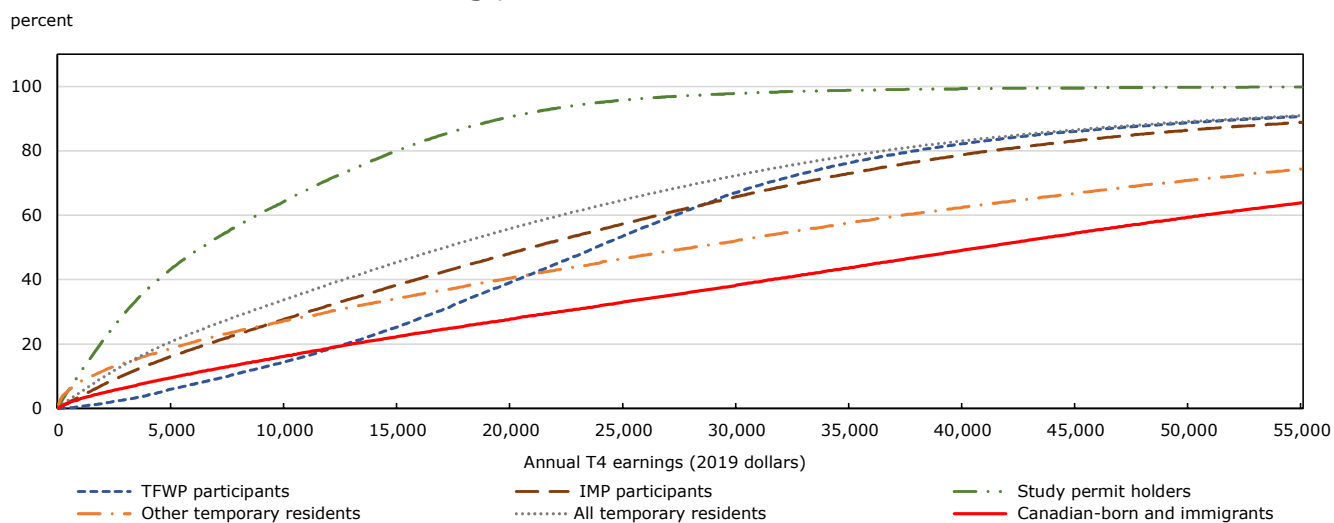
Using linkable administrative data files, this article estimates the share of temporary residents who had paid employment but were “weakly attached” to the Canadian labour market in 2019.¹ Ideally, the number of hours worked would provide the basis for an attachment designation. However, such information is not available in the data source. Consequently, this article defines “weak” labour market attachment based on annual earnings being equal to or less than various thresholds. As a starting point, annual earnings of \$7,500 would be comparable to working five hours per week, or roughly 250 hours per year, at the Canadian average wage of \$30 per hour. Since many temporary residents work in low-wage jobs (Lu & Hou, 2023c), one can alternatively consider the \$7,500 cut-off as working for 500 hours per year at \$15 per hour. In the employment insurance (EI) system, between 420 and 700 hours of insurable employment during the qualifying period (typically one year) are usually required to qualify for regular EI benefits (Government Canada). As a form of sensitivity analysis, lower thresholds are also assessed, notably \$2,000 and \$5,000.

Differences in weak attachment by temporary resident type

In 2019, among temporary residents who had paid employment, including work permit holders in the Temporary Foreign Worker Program (TFWP) and the International Mobility Program (IMP), study permit holders, and other temporary residents, 27.5% were weakly attached to the labour market based on the \$7,500 annual earnings cut-off (Chart 1 and Table 1). This is more than twice the share of all Canadian-born and immigrant workers (13.0%)—hereafter referred to as Canadian workers. However, there was significant variation by temporary resident program. One in 10 TFWP workers was weakly attached to the Canadian labour market. In contrast, 22.0% of IMP workers, 54.9% of those with study permits and 23.3% of those with other status were weakly attached.

1. Data are available for 2020 and 2021, but they do not reflect longer-term trends because of the COVID-19 pandemic.

Chart 1
Cumulative distribution of T4 earnings, 2019



Note: TFWP = Temporary Foreign Worker Program; IMP = International Mobility Program.
Sources: Statistics Canada, Non-permanent Resident File and Longitudinal Worker File.

Significant differences were also observed between temporary residents and Canadian workers with lower annual earnings cut-offs for weak attachment. If the cut-off is \$5,000, for example, about one in five temporary residents with paid employment (20.8%) were weakly attached, compared with 9.6% of Canadian workers. By program, 43.5% of employed study permit holders and 16.2% of IMP workers were weakly attached using this definition, compared with 6.1% of TFWP workers (Chart 1).

Chart 1 also provides additional insights into the earnings distribution of individuals in various programs. For example, earnings among study permit holders tended to be quite low, since virtually all of them earned less than \$30,000 in 2019. There were more higher earners in the IMP and TFWP, with roughly one-quarter of these permit holders earning more than \$50,000. However, these shares were below that of Canadian workers, among whom about 40% earned more than \$50,000.

Differences in weak attachment by sex, age and province

In 2019, 31.9% of female and 24.6% of male temporary residents with paid employment were weakly attached to the Canadian labour force based on the \$7,500 threshold. While these proportions were more than twice those of Canadian workers, the **difference** in weak attachment between men and women was similar to that of Canadian workers (Table 1).

Table 1
Percent of employed workers with weak attachment to the labour force, based on a \$7,500 threshold, by worker type, 2019

	Temporary foreign workers					Canadian workers	Ratio ¹
	Overall	TFWP participants	IMP participants	Study permit holders	Other temporary residents		
Overall	27.5	10.0	22.0	54.9	23.3	13.0	2.1
Sex							
Male	24.6	9.1	19.5	53.5	20.8	10.7	2.3
Female	31.9	13.7	25.3	56.7	27.2	14.2	2.2
Age group							
Aged 18 to 24	41.5	17.6	30.7	57.0	41.8	24.2	1.7
Aged 25 to 34	22.2	11.4	18.1	50.2	29.0	9.2	2.4
Aged 35 to 44	16.9	8.8	18.4	49.7	19.5	6.7	2.5
Aged 45 to 54	14.1	7.1	17.6	51.0	13.1	5.7	2.5
Province or territory							
Newfoundland and Labrador	38.0	14.1	24.5	55.8	28.8	14.5	2.6
Prince Edward Island	22.3	9.6	14.5	50.2	25.9	15.4	1.5
Nova Scotia	35.6	21.2	23.0	62.6	33.5	14.3	2.5
New Brunswick	29.7	8.9	28.0	57.4	19.4	12.8	2.3
Quebec	28.7	9.0	23.7	64.0	32.7	13.5	2.1
Ontario	27.0	8.1	20.7	56.9	19.6	12.6	2.1
Manitoba	29.2	12.8	19.0	55.3	20.3	13.8	2.1
Saskatchewan	28.4	9.6	17.6	56.0	20.5	14.7	1.9
Alberta	22.3	9.0	19.2	49.0	18.6	11.4	2.0
British Columbia	28.3	13.2	25.0	46.1	25.8	13.6	2.1
Territories	16.1	x	14.9	30.4	x	15.8	1.0
Industry							
Agriculture, forestry, fishing and hunting	11.8	10.5	21.4	46.9	22.2	20.6	0.6
Mining, quarrying, and oil and gas extraction	6.7	x	4.0	x	23.1	3.5	1.9
Utilities	4.5	x	3.1	x	x	5.0	0.9
Construction	14.3	8.5	13.8	31.7	13.5	8.0	1.8
Manufacturing	14.6	8.9	13.0	42.7	11.9	6.6	2.2
Wholesale trade	16.2	9.4	12.6	44.7	21.3	6.9	2.3
Retail trade	37.0	10.0	29.0	53.1	27.1	20.2	1.8
Transportation and warehousing	16.8	10.0	14.8	40.0	14.4	8.9	1.9
Information and cultural industries	8.9	1.8	7.1	34.7	9.4	6.8	1.3
Finance and insurance	7.8	7.8	6.2	22.3	12.4	7.2	1.1
Real estate and rental and leasing	19.5	11.6	17.8	45.0	15.2	11.5	1.7
Professional, scientific and technical services	10.9	4.4	8.3	49.3	18.1	7.3	1.5
Management of companies and enterprises	30.3	8.0	30.8	42.9	25.0	7.3	4.2
Administrative and support, waste management and remediation services	37.1	11.5	29.6	57.6	35.0	19.1	1.9
Educational services	49.2	4.7	28.7	67.7	44.8	14.4	3.4
Health care and social assistance	18.6	10.1	16.4	40.3	15.1	8.9	2.1
Arts, entertainment and recreation	39.1	7.3	38.5	60.3	30.5	31.5	1.2
Accommodation and food services	37.3	12.3	31.3	54.2	35.7	27.8	1.3
Other services (except public administration)	26.7	13.7	23.8	52.1	18.4	15.9	1.7
Public administration	13.0	x	11.3	27.3	x	11.3	1.2

x suppressed to meet the confidentiality requirements of the *Statistics Act*

1. The column shows the ratio of the value in column #1 to the value in column #6.

Note: TFWP = Temporary Foreign Worker Program; IMP = International Mobility Program.

Sources: Statistics Canada, Non-permanent Resident File and Longitudinal Worker File.

Generally, younger workers were more likely to be weakly attached. This is true for both employed temporary residents and Canadian workers. Among those receiving paid employment income, about two in five temporary residents aged 18 to 24 (41.5%) earned no more than \$7,500 in 2019, compared with 22.2% of those aged 25 to 34, 16.9% of those aged 35 to 44 and 14.1% of those aged 45 to 54.

Temporary residents who had paid employment in Newfoundland and Labrador (38.0%) and Nova Scotia (35.6%) were significantly more likely to be weakly attached to the labour force than those in other provinces (from 22.3% to 29.7%). In particular, among TFWP workers, those employed in Nova Scotia had the highest level of weak attachment (21.2%), followed by Newfoundland and Labrador (14.1%). While both provinces also ranked high in terms of weak attachment among other working temporary resident groups, they did not always rank highest. Indeed, the level of weak attachment among IMP workers was highest in New Brunswick (28.0%), and the level was highest in Quebec among those with a study permit (64.0%).

Differences in weak attachment by industry

In the Canadian economy, different industries display different levels of weak attachment to the labour force. This can be seen in the results for Canadian workers. Industries that tended to have a larger share of workers weakly attached to the labour force included agriculture, forestry, fishing and hunting (20.6%); retail trade (20.2%); arts, entertainment and recreation (31.5%); and accommodation and food services (27.8%) (Table 1). Similar industries tended to have the highest level of weak attachment among temporary residents, and most industries displayed a higher level of weak attachment among temporary residents than among Canadian workers. The exception was agriculture, forestry, fishing and hunting, where the TFWP dominated and weak attachment was much lower, at 11.8%. Furthermore, in some other industries, TFWP workers also displayed lower rates of weak attachment than did Canadian workers. This was particularly true for retail trade; professional, scientific and technical services; educational services; and accommodation and food services.²

2. While smaller in magnitude, the observed patterns in this section largely remained when using lower cut-offs, such as \$5,000 and \$2,000.

Conclusion

Knowing the number of work permit holders in Canada is valuable information for many reasons, but it is not a good indicator of the amount of labour being provided by temporary residents. Some permit holders do not work each year, and of those employed, many have a weak attachment to the labour force (providing relatively few hours of labour). In 2019, for example, two-thirds of IMP permit holders for work purposes were employed, along with 86.5% of those in the TFWP (Lu & Hou, 2023b).

The analysis in this article shows that of temporary residents employed in 2019, one-quarter were weakly attached³ to the labour force. This compared with 13.0% of Canadian workers. Of employed TFWP participants, 10.0% were weakly attached, compared with 22.0% for the IMP workers and more than one-half of employed individuals with study permits. In other words, in 2019, after excluding those who were not employed and those who earned less than \$7,500 in the year, it was found that 422,000 IMP permit holders (about one-half) were strongly attached to the labor force and hence provided a significant amount of labour. Of the 134,000 work permit holders in the TFWP, 105,000 (more than three-quarters) were strongly attached to the labour force.

There was significant variation by workers' characteristics in the tendency to be weakly attached. Among employed temporary residents, women were more likely than men to display weak attachment, and younger workers more so than older workers. Temporary residents who worked in Nova Scotia and Newfoundland and Labrador displayed a higher level of weak labour force attachment than those in other provinces. Although the level of weak attachment was higher among temporary residents than among Canadian workers in most industries, the pattern of differences across industries was generally the same for temporary residents and Canadian workers.

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3. Based on a weak attachment cut-off of \$7,500.

Appendix: Data and definitions

After temporary residents are extracted from the Non-permanent Resident File, which maintains information on all foreign nationals with a valid temporary residential status (excluding visitors) in Canada since 1980, records are linked to the Longitudinal Worker File, which contains information from annual T1 and T4 administrative files. Those who had a landing record in 2019 are excluded from the analysis. In determining the status of those with multiple types of permits in the year, this analysis prioritizes the Temporary Foreign Worker Program, followed by the International Mobility Program, study permits and finally other temporary status.

In this analysis, temporary residents with paid employment and Canadian workers are defined as those who receive positive earnings. Earnings refers to total annual T4 earnings. Industry sectors are grouped based on the two-digit North American Industry Classification System codes. If a worker received T4 earnings from multiple industries, only the one with the highest earnings is considered.

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