



END LOW-WAGE EMPLOYERS' ADDICTION TO GUEST WORKERS

FEBRUARY 26, 2024



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Introduction

“We have gotten addicted to temporary foreign workers,” said Canada’s Immigration Minister Marc Miller recently.¹ “Any large industry trying to make ends meet will look at the ability to drive down wages. There is an incentive to drive labour costs down. It’s something that’ll require a larger discussion.”

Recently, Minister Miller called some guest workers (international students) “an asset that is very lucrative.”² He also recently said guest workers (again, international students) are a source of “cheap labour” for big box stores.³

Canada’s federal government has been knowingly and willingly feeding the addiction that many Canadian employers have to the cheap labour of guest workers. This addiction has gotten worse over time and it’s hurting everyone involved – including guest workers, Canadian workers and even employers themselves. Nevertheless, the first step towards recovery is admitting that you have a problem. So, we at the Alberta Federation of Labour (AFL) welcome the Minister’s latest comments (above). As they say – better late than never. However, the question now is, what is he going to do about it – and will he go far enough?

We at the AFL have a proud history of standing up for workers’ rights, safe workplaces, and decent wages. We were also instrumental in exposing the many flaws of the Temporary Foreign Worker Program (TFWP) under the Conservative government led by Stephen Harper. We’re now adding our voice to the growing chorus of concern over the massive growth of Canada’s non-permanent workforce.

It’s clear that instead of raising wages to attract workers, low-wage employers successfully lobbied the federal government for a fix: to open Canada’s doors to guest workers even wider than they have been in the past. Because of their economic situation at home, these workers will often accept jobs at wages lower than what Canadian citizens or landed immigrants will accept. They are also often

¹ Randy Thanthong-Knight, Bloomberg News, “Canada must end reliance on cheap foreign labour, minister says,” February 6, 2024, <https://www.bnnbloomberg.ca/canada-must-end-reliance-on-cheap-foreign-labor-minister-says-1.2031458>

² Sabrina Maddeaux, National Post, “Sabrina Maddeaux: International students are lucrative assets — Marc Miller says so,” September 29, 2023, <https://nationalpost.com/opinion/sabrina-maddeaux-international-students-are-lucrative-assets-marc-miller-says-so>

³ Video from CPAC, <https://twitter.com/CanadaNoFuture/status/1731381107612868942>

willing to work far below the standards of the Canadian labour market in hopes that if they stay long enough, keep their heads down and keep quiet, they will eventually qualify for permanent residency. This suppresses wages and decreases the chances a local worker will take the job. This, in turn, reinforces the notion that labour shortages exist in certain occupations, which leads employers to pressure the federal government to open the flood gates of foreign workers even further. It's a perverse and vicious self-reinforcing cycle.

This happened with the Conservative government led by Prime Minister Stephen Harper. It's also what has been happening with the Liberal government led by Prime Minister Justin Trudeau. Here's how it works: rather than responding to tightening labour markets with higher wages employers complain about a "labour shortage;" governments then loosen the rules, making it quicker and easier for employers to get approved to bring in guest workers; guest workers are then brought in and wages are suppressed; the low wages lead to fewer Canadians being willing to take the jobs; the employer then cries "labour shortage" even louder and applies for more guest workers. Rinse and repeat. Then, as now, it's only after a public outcry that the government moves to change the policies in an attempt to correct the problem.

Full employment and tight labour markets should not be looked at as a "problem that needs to be solved" by governments. In fact, quite the opposite, they're good things. They're good for workers because it gives them more bargaining power and higher wages. And they're good for business, whether businesses believe it or not, because they provide an incentive to increase productivity.

Many economists and pundits moan about Canada's low rate of productivity growth. We contend that one of the reasons we have lower growth in productivity than many of our Organization for Economic Cooperation and Development (OECD) peers is because we've made it so easy for employers to gain access to exploitable low-wage workers. Why invest in tech or capital to enhance productivity when you can exploit a guest worker instead?

We urge the federal government to think about what kind of Canada we collectively want to build. Do we want a nation that exploits guest workers? Or do we want a nation of immigrants with economic opportunity in every workplace and with every

job? Canadians clearly want to live in a country of real immigrants, not exploited guest workers. But, as a nation, we are currently betraying that vision.

We acknowledge that the federal government has taken some steps to address the situation by announcing changes to the rules around international student visas, but we believe more must be done. This has elicited a backlash from the business lobby, especially lobby groups representing big-box retailers. The federal government should send string signals to them that the days of federal government feeding employers' addiction to the cheap labour of exploitable guest workers are over. It's time for them to invest in wages and productivity.

Our stance is simple: the government should wind down all the guest worker program streams that are used by low-wage employers to suppress wages. The government should also end the recently announced 'fast-track' TFWP stream known as the Recognized Employer Pilot. All this should be done mindfully so as not to unduly harm workers, be they Canadians, landed immigrants, guest workers or undocumented workers. Housing, especially in large urban centres, has been affected by the large influx of non-permanent residents. The federal government should continue to invest in housing, and partner with provinces to do so, especially one and two-bedroom apartments and non-market housing. And it should consider ways to make labour market information better, so everyone has better data on the impact of guest workers. The primary focus for international students in Canada should be to study, not work. The federal government should renew restrictions on the number of hours students can work off campus.

Canada's guest worker programs need a serious overhaul. These programs have for too long been leveraged by employers to suppress wage growth, but now with the huge and historic increase in non-permanent residents in Canada, along with sky-high housing prices, our lowest-paid and most vulnerable workers are even more susceptible to economic shocks due to housing or job stability or both. A sudden loss of income or increase in housing cost could lead some guest workers to end up on the street or working multiple jobs just to keep their head above water. Is this the Canada we want to build?

Pathways for guest workers

Foreign workers can obtain work permits in Canada through the Temporary Foreign Worker Program or the International Mobility Program (IMP).⁴ The TFWP ties a worker to specific jobs and requires employers to be granted a Labour Market Impact Assessment (LMIA) before hiring a foreign worker to fill a particular job that cannot be filled by a Canadian worker. The LMIA process includes efforts by the employer to advertise for the job at wages that are at least as much as the prevailing regional wage for that job.⁵

Other guest workers are able to work in Canada without work permits, namely international students. More on that later.

There are, at least, some safeguards in the LMIA process. For example, guest workers are supposed to be paid median wages, rather than below. Because of the LMIA process within the TFWP, workers are recruited by employers for specific jobs, so they are more likely to have reportable earnings than workers with permits under the IMP, which are not tied to specific jobs.⁶ The LMIA process also allows the government and researchers to more easily track some of the labour-market effects of such employment.

The International Mobility Program allows employers to hire guest workers without the LMIA process.⁷ Within it, there are a broad suite of streams which are designed to broaden the economic, cultural or other competitive advantages for Canada, as well as reciprocal agreements, such as free trade agreements.⁸

Although, the number of LMIA approvals through the TFWP has increased by about 70% since 2019,⁹ that pales in comparison to the increase in work permits through

⁴ Yuqian Lu and Feng Hou, Statistics Canada, "Foreign workers in Canada: Changing composition and employment incidences of work permit holders," October 25, 2023, <https://www150.statcan.gc.ca/n1/pub/36-28-0001/2023010/article/00004-eng.htm>

⁵ <https://www.canada.ca/en/employment-social-development/services/foreign-workers/caregiver/working-conditions.html>

⁶ Yuqian Lu and Feng Hou, Statistics Canada, "Foreign workers in Canada: Changing composition and employment incidences of work permit holders," October 25, 2023, <https://www150.statcan.gc.ca/n1/pub/36-28-0001/2023010/article/00004-eng.htm>

⁷ Government of Canada, "Temporary Workers," <https://www.canada.ca/en/immigration-refugees-citizenship/corporate/publications-manuals/operational-bulletins-manuals/temporary-residents/foreign-workers.html>

⁸ Government of Canada, "Temporary Workers," <https://www.canada.ca/en/immigration-refugees-citizenship/corporate/publications-manuals/operational-bulletins-manuals/temporary-residents/foreign-workers.html>

⁹ Paula Duhatschek, CBC News, "Rocky Mountain employers in Alberta see major boost in temporary foreign worker approval," June 12, 2023, <https://www.cbc.ca/news/canada/calgary/temporary-foreign-workers-employers-approval-1.6870253>

the International Mobility Program.¹⁰ Both the IMP and the TFWP issue work permits for foreign nationals to work in Canada. The total number of work permits has increased by 81% from 531,700 in 2010 to 963,400 in 2021, but the growth has primarily been through the IMP which has seen its relative share of work permits grow to more than half of all work permits.¹¹

The vast majority of work permits through the IMP are related to post-secondary education, such as the Post-Graduate Work Permit Program, which increased its share of permit work holders from 6 per cent in 2010 to 28 per cent in 2021, relative to all work permit holders.¹² In 2021, current and previous international students, along with their spouses, accounted for nearly half (49%) of all work permit holders.

Although there are a great many work permits for international students' families and for international students who have graduated are done through the IMP, international student work is covered by the International Student Program. The International Student Program's focus is on education, while the IMP (and the TFWP) focus is on work.

In October 2022, the federal government announced that international students would be allowed off-campus work of more than 20 hours per week in order to help "employers facing unprecedented challenges in finding and retaining the workers they need during this period of economic recovery and growth."¹³ That policy was to expire on December 31, 2023, but was amended to push the expiration date to April 30, 2024.¹⁴

In January 2024, further reforms to the International Student Program were announced by Minister of Immigration, Refugees and Citizenship Marc Miller

¹⁰ Yuqian Lu and Feng Hou, Statistics Canada, "Foreign workers in Canada: Work permit holders versus employment income records, 2010 to 2022," October 23, 2023, <https://www150.statcan.gc.ca/n1/pub/36-28-0001/2023010/article/00003-eng.htm>

¹¹ Yuqian Lu and Feng Hou, Statistics Canada, "Foreign workers in Canada: Changing composition and employment incidences of work permit holders," October 23, 2023, <https://www150.statcan.gc.ca/n1/pub/36-28-0001/2023010/article/00004-eng.htm>

¹² Ibid.

¹³ Government of Canada, "International students to help address Canada's labour shortage," October 7, 2022, <https://www.canada.ca/en/immigration-refugees-citizenship/news/2022/10/international-students-to-help-address-canadas-labour-shortage.html>

¹⁴ Government of Canada, "Amended temporary public policy to lift the limitation that eligible study permit holders can work without a work permit no more than 20 hours per week off-campus during regular academic sessions," December 11, 2023, <https://www.canada.ca/en/immigration-refugees-citizenship/corporate/mandate/policies-operational-instructions-agreements/public-policies/off-campus-work-2023-update.html>

including capping the number of international students Canada would accept (360,000 in 2024, a 35% drop from the previous year), and disallowing international students who attend private colleges that are licensed to deliver the curriculum of an associated public college from accessing the Post-Graduation Work Permit Program, which is part of the IMP.¹⁵

Although the federal government is responsible for issuing study permits, some provinces have provided lax oversight of their post-secondary education systems, and it appears Immigration Minister Marc Miller has been informed. In December 2023, Minister Miller stated that some schools are “the diploma equivalent of puppy mills that are just churning out diplomas and this is not a legitimate student experience” and promised a crackdown on the number of student visas if provinces didn’t shape up.¹⁶

The “puppy mill” comment stems from the number of private colleges with curricula licensed from a public school, which is an issue primarily in Ontario and British Columbia. Minister Miller’s cap on international students could see the number in Ontario’s schools drop by as much as 50%.¹⁷

Provinces by and large control post-secondary education and there’s been a general trend of schools to increase reliance on foreign students who pay many times the tuition of Canadian students. Some schools, especially those in British Columbia and Ontario have seen massive increases in the number of international student enrollment.¹⁸ Just 14 Ontario Colleges had more than 70,000 international student visas approved from January 2022 to April 2023.¹⁹ In 2021, Ontario’s Auditor General found the province’s smaller public colleges, particularly those in smaller or

¹⁵ Government of Canada, “Canada to stabilize growth and decrease number of new international student permits issued to approximately 360,000 for 2024,” January 22, 2024, <https://www.canada.ca/en/immigration-refugees-citizenship/news/2024/01/canada-to-stabilize-growth-and-decrease-number-of-new-international-student-permits-issued-to-approximately-360000-for-2024.html>

¹⁶ Laura Dhillon Kane, Bloomberg News, “Canada to limit foreign-student visas if provinces don’t curb diploma ‘mills,’” December 7, 2023, <https://financialpost.com/news/economy/canada-limit-foreign-student-visas-provinces-curb-diploma-mills>

¹⁷ Joe Friesen, “Canadian universities and colleges trying to come to grips with fallout from international student cap,” February 6, 2024, <https://www.theglobeandmail.com/canada/article-canadian-universities-and-colleges-trying-to-come-to-grips-with/>

¹⁸ Eden Crossman, Yuqian Lu and Feng Hou, Statistics Canada, “International students as a source of labour supply: Engagement in the labour market after graduation,” January 18, 2022, <https://www150.statcan.gc.ca/n1/pub/36-28-0001/2021012/article/00002-eng.htm>

¹⁹ Dr. Mike P. Moffat, <https://twitter.com/MikePMoffatt/status/1736448507697869053>

northern communities, were partnering with private career colleagues to bolster enrollment of international students along with the lucrative tuition revenue that goes along with it.²⁰

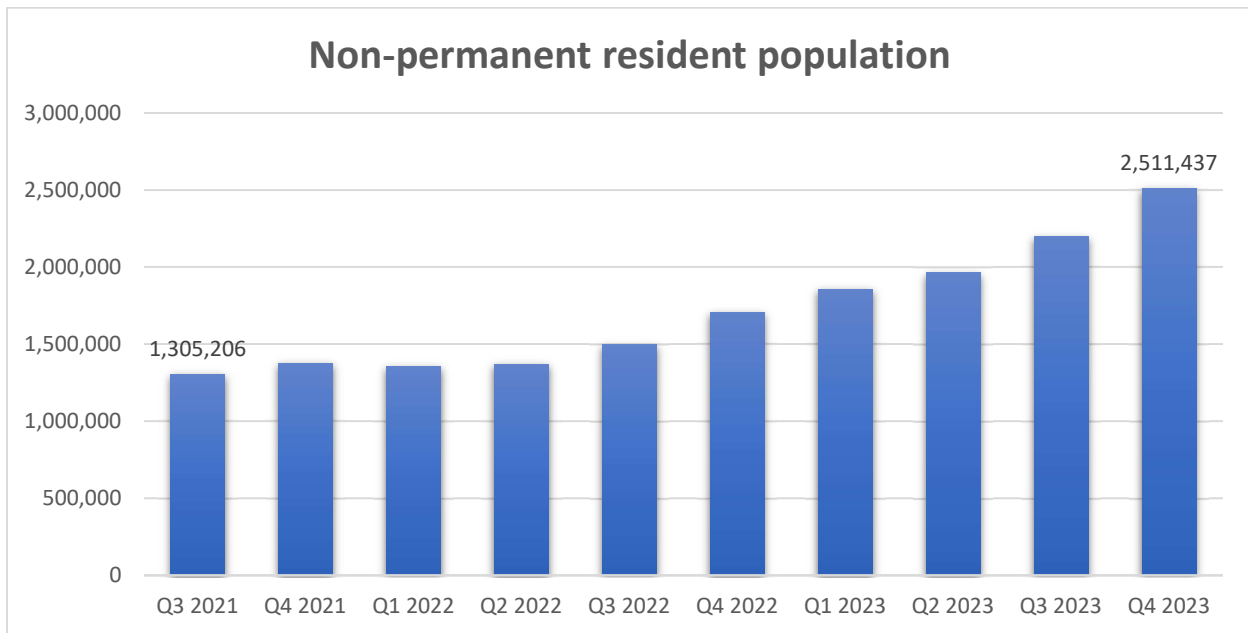
International students are often exploited, not only by employers offering low wages, but also by the very university and colleges they attend. Cuts and chronic underfunding, along with changes to provincial regulation, have made universities and colleges addicted to international students' high tuition. To pay for high tuition, students have to work.

In his recent reforms, Minister Miller did not reduce the number of hours students can work off campus. There was a 20-hour limit for off-campus work, but that was waived until April 30, 2024. The Minister did not reduce the number of hours international students can work off campus because "many current students are relying on working more than 20 hours per week to cover their expenses and potentially jeopardizing their studies."

²⁰ Auditor General of Ontario, "Value-for-Money Audit: Public Colleges Oversight," December 2021, https://www.auditor.on.ca/en/content/annualreports/arreports/en21/AR_PublicColleges_en21.pdf

The current situation

Under the Liberals' watch, Canada's guest worker programs (the Temporary Foreign Worker Program and the International Mobility Program), along with the International Student Program, have been responsible for a huge and unprecedented increase to the Canadian population in the last two years, especially non-permanent migration.²¹



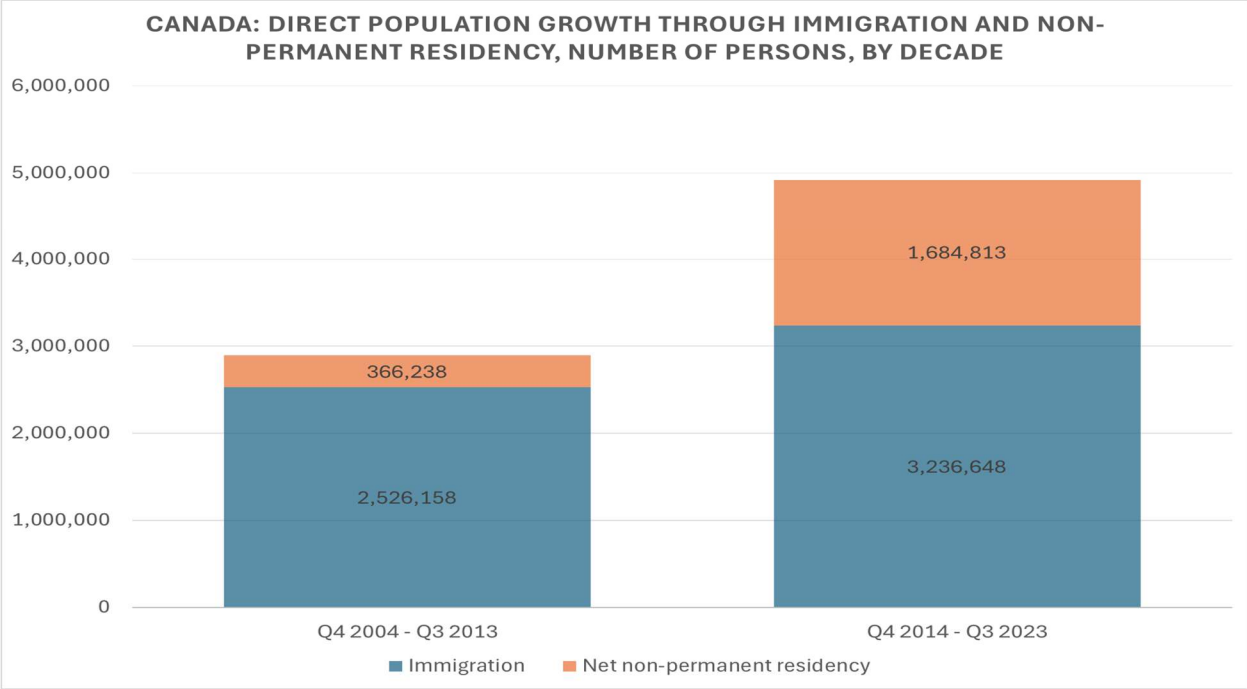
(Source: Statistics Canada, "Estimates of the number of non-permanent residents by type, quarterly," Table: 17-10-0121-01, released Dec. 16, 2023, <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=1710012101>)

The growth in Canada's non-resident population started before the COVID-19 pandemic. In 2016, the Liberal government accepted the recommendation for an ambitious population growth strategy to accept 450,000 immigrants a year, with a focus on international students.²²

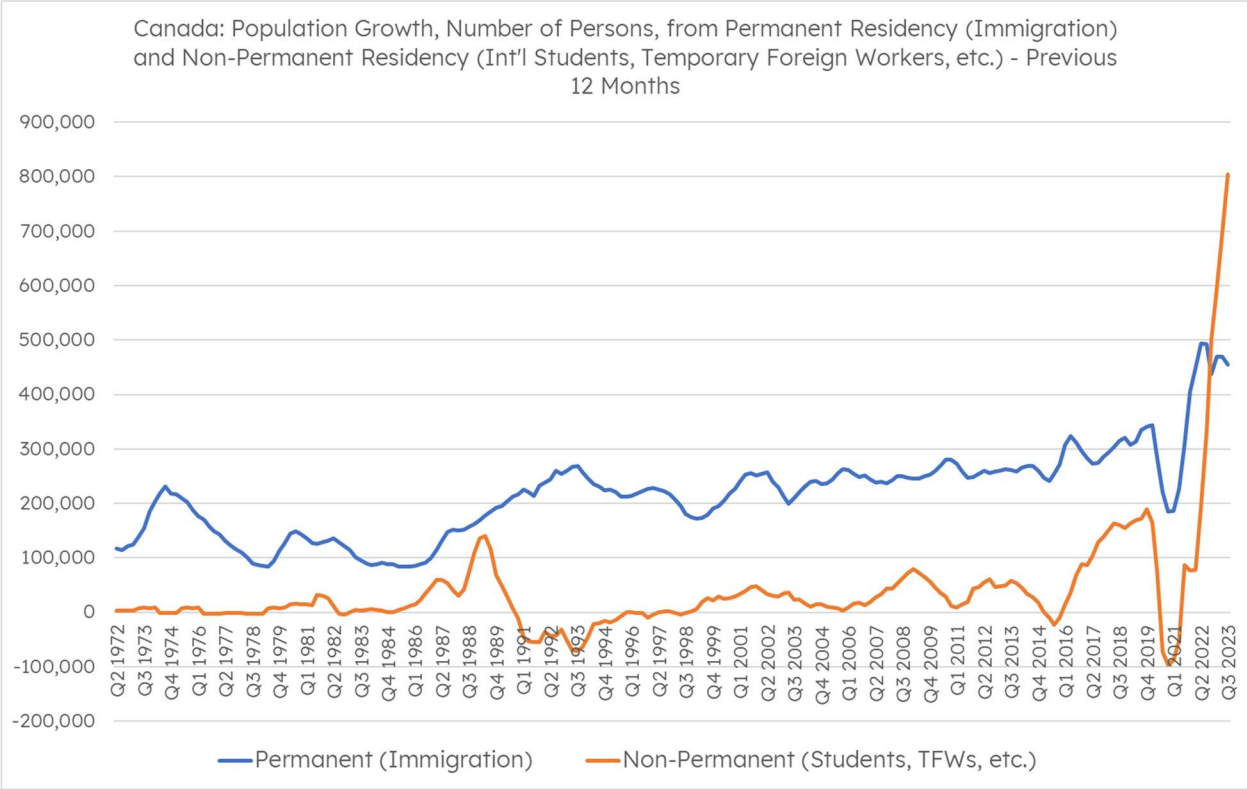
In the last nine years, Canada's population growth has nearly doubled the previous nine years' growth with a large proportion coming through non-permanent residents.

²¹ Statistics Canada, "The Daily," December 19, 2023, <https://www150.statcan.gc.ca/n1/daily-quotidien/231219/dq231219c-eng.htm>

²² Andy Blatchford, CBC News, "Government's economic advisory council unveils plans to boost household income \$15,000, by 2030," October 16, 2016, <https://www.cbc.ca/news/politics/morneau-economic-advisory-panel-1.3814725>



(Source: Dr. Mike Moffatt, "Chart of the day," <https://twitter.com/MikePMoffatt/status/1760314257327939949>)



(Source: Dr. Mike P. Moffatt, "The growth in non-permanent residency, in a single chart," <https://twitter.com/MikePMoffatt/status/1738240883399528904>, accessed January 15, 2024)

The estimated 2.5 million new non-permanent residents are concentrated in typically low-wage industries, the same industries where employers and the business lobby consistently complain of “labour shortages” – accommodation and food services; retail trade; administrative and support, and waste management and remediation services.²³ These three industries, along with agriculture, have the lowest median wages in Canada.²⁴

In 2014, the then-Conservative government embarked on a series of reforms to the TFWP that included the LMIA process, which asks employers to list the wage offering and provide proof of advertising so Canadians can have first crack at the jobs.²⁵

The Temporary Foreign Worker Program rules remained relatively stable until recently. Some of the 2014 reforms have been reversed by the current federal government in 2022, including increasing the percentage of employers’ workers sourced through the program and eliminating the policy that disallowed applications for jobs in Accommodation and Food Services and Retail Trade in regions with an unemployment rate of 6% or higher.²⁶ The rationale, we’re told, is to support employers to find workers as the nation recovers from COVID-19 protections. As a result, the TFWP approval process has an approval rate nearing 100%.²⁷ It’s hard not to conclude that the current LMIA process is not just a rubber stamp.

²³ Yuqian Lu and Feng Hou, Statistics Canada, “Foreign workers in Canada: Distribution of paid employment by industry,” December 21, 2023, <https://www150.statcan.gc.ca/n1/pub/36-28-0001/2023012/article/00005-eng.htm>

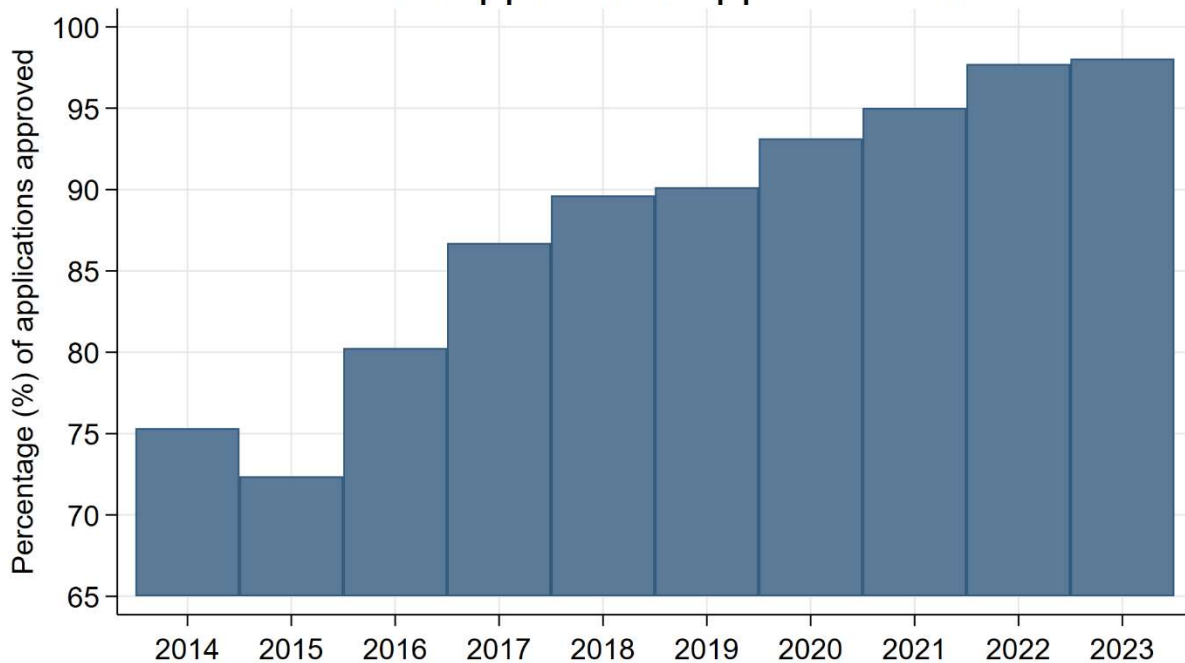
²⁴ Statistics Canada, “Table 14-10-0064-01 Employee wages by industry, annual,” released January 5, 2024

²⁵ Government of Canada, “Government of Canada Overhauls Temporary Foreign Worker Program Ensuring Canadians are first in line for available jobs,” June 20, 2014, <https://www.canada.ca/en/news/archive/2014/06/government-canada-overhauls-temporary-foreign-worker-program-ensuring-canadians-are-first-line-available-jobs.html>

²⁶ Government of Canada, “Government of Canada announces Workforce Solutions Road Map – further changes to the Temporary Foreign Worker Program to address labour shortages across Canada,” April 2, 2022, <https://www.canada.ca/en/employment-social-development/news/2022/04/government-of-canada-announces-workforce-solutions-road-map--further-changes-to-the-temporary-foreign-worker-program-to-address-labour-shortages-ac.html>

²⁷ Mikal Skuterud, <https://twitter.com/mikalskuterud/status/1680274775178919936?s=20>

LMIA Application Approval Rate



Note: Value for 2023 adjusted by 4/3 because fourth quarter data not yet available.
Source: ESDC. Charted by @mikalskuterud.

The LMIA process is meant to ensure employers give Canadians first crack at the jobs and that those jobs are not below median wages has remained unchanged. What also remained relatively unchanged is low-wages offered by the industries and occupations that employers rely on TFWP permits for, such as wholesale and retail trade and accommodation and food service workers. If there is a labour shortage in some industries, the labour market ought to be allowed to adjust through higher wages, but that hasn't happened.

In April 2022, the federal government of Canada announced changes to the Temporary Foreign Worker Program "to address labour shortages across Canada"²⁸ by increasing approvals to 18 months from 9 months, as well as allowing employers in seven sectors with "demonstrated labour shortages" to hire up to 30% of their

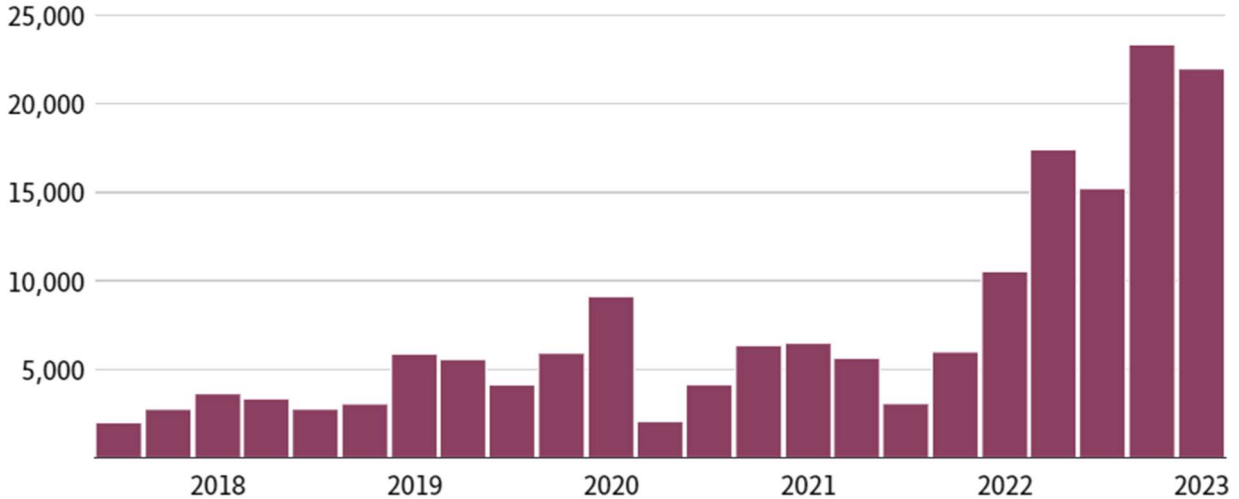
²⁸ Government of Canada, "Government of Canada announces Workforce Solutions Road Map – further changes to the Temporary Foreign Worker Program to address labour shortages across Canada," April 4, 2022, <https://www.canada.ca/en/employment-social-development/news/2022/04/government-of-canada-announces-workforce-solutions-road-map--further-changes-to-the-temporary-foreign-worker-program-to-address-labour-shortages-ac.html>

workforce from the TFWP, including the accommodation and food service sector and retail trade sector.

The effect of these changes is a large increase in the number of TFWP approvals for low-wage workers.

TFWP approvals in low-wage stream

Number of approved positions on quarterly basis



Notes: Approvals are not hires. ESDC omits some approved positions from its dataset.

SOURCE: ESDC

(Source: Mikal Skuterud, https://twitter.com/i/bookmarks?post_id=1679635615095177216)

In August 2023, the federal government announced more loosening of the TFWP rules with the launch of the “Recognized Employer Pilot” to essentially fast-track LMIA approvals for employers offering specific jobs in two phases. The first phase was for four occupations in agriculture that started in September 2023. The second, launched January 2024, is for occupations deemed “in demand,” such as food and beverage servers, cooks, and cleaners, as well as high-wage jobs in health care. Select employers will gain LMIA’s that are valid for up to three years (36 months), while also having a simplified LMIA process.

The issue the Alberta Federation of Labour continues to have with the TFWP is that it allows employers to forgo wage increases in the face of so-called labour shortages. Median wages in many of the occupations listed in the Recognized Employer Program are below what would be a living wage in most Canadian communities.

Employers are asking that workers within the TFWP survive on wages below what a Canadian or landed immigrant would accept. And because of their economic circumstances back home, many of these workers are accepting these wages. Loosening the rules for employers does nothing to help with our concerns. On the contrary, our concerns on wage suppression are exacerbated by these changes. It's gotten to the point where Canada's low-wage workers have not seen an increase in their purchasing power in six years, despite there being a supposed labour shortage for these positions. This wage suppression is creating the very labour shortages that the expanded guest worker program was created to address. It's clear that what we have here is not a shortage of workers, but rather a shortage of employers willing to pay fair wages. We submit that the federal government should not be in the business of helping employers ignore market signals or defy economic laws of gravity.

Wage Suppression

Canada's guest worker programs suppress wages in low-wage occupations and industries. This has long been a contention of the AFL and recent academic research shows this to be true. Researchers looking at only the Temporary Foreign Worker Program found that the addition of low-wage guest workers in firms decreases the wages of other workers at the same firm.²⁹ The main reason, they write, is "foreign workers facing poor employment options in their home country have incentives to accept jobs to work in Canada for lower wage rates than a typical Canadian would accept."

It's worth noting that this research showing guest worker programs suppress wages at the low end of the spectrum was sponsored by the federal government (Employment and Social Development Canada) as part of an evaluation the Temporary Foreign Worker Program, yet the federal government seems to be ignoring the results. There have yet to be any meaningful policy moves to address wage suppression associated with guest worker programs.

The former Governor of the Bank of Canada also recently noted in a presentation regarding the 2024 economic outlook that the growth of Canada's population of guest workers was depressing incomes. Fellow-presenter Serge Dupont noted that the composition of immigrants to Canada matters greatly for economic performance. He noted that the rapid expansion of temporary worker programs "has become increasingly responsive to specific occupations or regions, including in lower-skilled occupations. We think that we've gone too far in that direction. It's appropriate to address critical pressures, for example, in trades or health services.

An expansion of programs that admit lower skilled workers can depress wages, reduce incentive for investment and delay adjustment. It can grow adequate aggregate GDP in the short term, but not GDP per capita in the short or even the long term."³⁰

²⁹ Carduso, Haan, Lombardo, and Yoshia, Canadian Labour Economics Forum, "Research on Labour Market Impacts of the Temporary Foreign Worker Program," May 2, 2023, <https://clef.uwaterloo.ca/wp-content/uploads/2023/06/CLEF-057-2023.pdf>

³⁰ Bennet Jones, "Economic Outlook: The Long Term in Now," December 11, 2023, <https://www.bennettjones.com/Events-Section/Economic-Outlook-The-Long-Term-is-Now>

In other words, guest workers hired by low-wage employers depress wages and, in the long term, this stagnates the economy.

Canada’s guest workers are also concentrated in sectors that offer low-wages: accommodation and food services; retail trade; administrative and support, and waste management and remediation services.³¹ These sectors typically require little training or education.

Perhaps not coincidentally, the occupations with the highest vacancies have the lowest wage offerings and are also the same sectors where guest workers are concentrated.

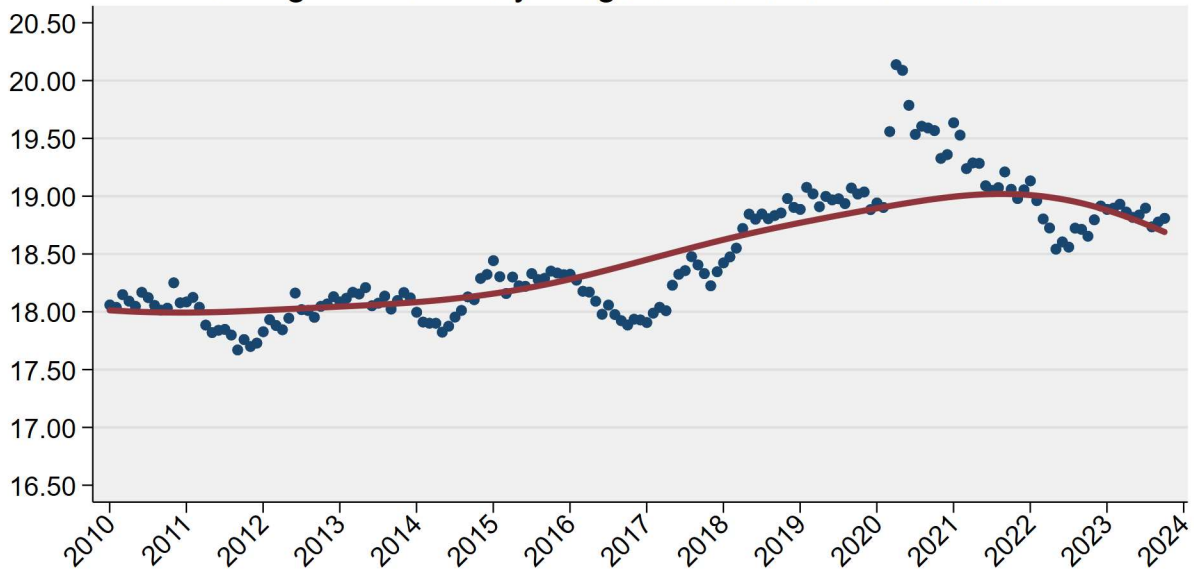
Occupation	Job Vacancies	Average Wage Offered
Sales and service occupations	227,250	\$ 18.25
Trades, transport and equipment operators and related occupations	139,585	\$ 27.15
Health occupations	91,930	\$ 31.05
Business, finance and administration occupations	78,910	\$ 26.10
Occupations in education, law and social, community and government services	63,225	\$ 26.75
Natural and applied sciences and related occupations	44,100	\$ 36.45
Management occupations	35,185	\$ 40.60
Occupations in manufacturing and utilities	28,900	\$ 21.90
Natural resources, agriculture and related production occupations	16,070	\$ 22.25
Occupations in art, culture, recreation and sport	12,025	\$ 25.10

(Source: Statistics Canada, Table 14-10-0328-01, “Job vacancies, proportion of job vacancies and average offered hourly wage by selected characteristics, quarterly, unadjusted for seasonality, Q3 2023,” <https://www150.statcan.gc.ca/t1/tbl/en/tv.action?pid=1410032801>)

Despite there being a supposed “labour shortage” for occupations that don’t require a great deal of education or training, purchasing power for workers in these sectors has actually decreased in the last six years. If the labour market were left to its own devices, we’re told, employers would increase wages or invest in capital that increases productivity. But that hasn’t happened because employers have instead tapped into Canada’s guest worker programs, and therefore wages stagnate.

³¹ Yuqian Lu and Feng Hou, Statistics Canada, “Foreign workers in Canada: Distribution of paid employment by industry,” December 21, 2023, <https://www150.statcan.gc.ca/n1/pub/36-28-0001/2023012/article/00005-eng.htm>

Average Real Hourly Wage in Canada's Low-Skill Jobs



Note: Low-skill workers are workers employed in occupations that usually require a high school diploma or less. Blue dots are mean predicted real wages for a worker with 3 months of job tenure from a linear regression that includes month fixed effects and a quadratic in job tenure. Hourly wages are adjusted for inflation using the monthly all-items CPI. Red line is from a Lowess regression with default bandwidth. Wages adjusted for inflation using all-items CPI (August 2023 = 100).
Source: Labour Force Survey (PUMFs). Estimated and charted by @mikalskuterud.

(Source: Mikal Skuterud, <https://twitter.com/mikalskuterud/status/1728798512710643902?s=12&t=h9tQFZDCj-fO2Hfz2WhypA>)

Effect on Housing

Housing costs have skyrocketed at the same time as non-resident numbers have increased. Housing supply takes time to build, and in the time of high interest rates, it's also more expensive. An additional 2.5 million people will increase demand for housing, which affects prices. Temporary workers are likely not looking to own a single-family house in Canada. More likely looking at one or two-bedroom affordable rental units in urban centres, the 'affordability' of which is determined by the market. The housing market and the labour market are failing low-wage workers in the form of stagnant wages and unaffordable housing costs.

The cost of shelter in Canada has increased by 20% since January 2021, making it one of the top drivers of inflation.³² The supply of housing has always been inelastic – it does not respond quickly to increases in demand. It takes time to build. And now it's more expensive to build given high interest rates, thus restricting supply even more.

According to a study from the Canadian Centre for Policy Alternatives (CCPA), which used October 2022 data, rental housing is all but out of reach for workers who earn minimum wage.³³ Canada's guest workers are overwhelmingly in industries that have the lowest median wages.³⁴ If the CCPA researchers had access to up-to-date data (there's a lag in reporting), then it is likely that the situation is even worse than reported, in terms of affordability.

According to that study, there are only three urban areas in Canada where workers earning minimum wage can afford to rent. Rental housing in Vancouver and Toronto are unaffordable even at median wages.³⁵

Economists now note that Canada is in a "population trap" when it comes to immigration and guest worker programs. Our ability to welcome more than a million

³² Statistics Canada, Table 18-10-0004-01 Consumer Price Index, monthly, not seasonally adjusted, <https://www150.statcan.gc.ca/t1/tbli/en/tv.action?pid=1810000401>

³³ David MacDonald and Ricardo Tranjan, Canadian Centre for Policy Alternatives, "Can't afford the rent – Rental wages in Canada 2022," July 2023, <https://policyalternatives.ca/publications/reports/cant-afford-rent>

³⁴ Statistics Canada, "Table 14-10-0064-01 Employee wages by industry, annual," released January 5, 2024

³⁵ David MacDonald and Ricardo Tranjan, Canadian Centre for Policy Alternatives, "Can't afford the rent – Rental wages in Canada 2022," July 2023, <https://policyalternatives.ca/publications/reports/cant-afford-rent>

new residents (most of them non-permanent residents) is being severely tested, especially with respect to adequate and affordable housing.³⁶ The population has increased so fast that living standards can't keep pace. While there are targets for the number of permanent residents, there are no limits to non-permanent residents.

Economists also point to Canadians' understanding of the "absorptive capacity" of our economy. They point to an understanding of Canadians that when the population grows faster than housing, and private and public infrastructure, there's pressure on living standards.³⁷

The Canadian Mortgage and Housing Corporation (CMHC) says we need to build more than 5 million homes in the next six years in order to ensure average housing costs do not exceed more than 40 per cent of Canadians' disposable income, but we're on track to build only a fraction of that (1.68 million homes).³⁸ Action from all orders of government is needed to address the housing situation.

³⁶ Matt Lundy, "Canada stuck in 'population trap,' needs to reduce immigration, bank economists say," January 15, 2024, <https://www.theglobeandmail.com/business/article-canada-stuck-in-population-trap-needs-to-reduce-immigration-bank/>

³⁷ The Hub, "Canadians are turning against immigration. Labour economist Mikal Skuterud on how to reform the system and reverse this trend," November 13, 2023, <https://thehub.ca/2023-11-13/canadians-are-turning-against-immigration-labour-economist-mikal-skuterud-on-how-to-reform-the-system-and-reverse-this-trend/>

³⁸ Rachele Younglai, The Globe and Mail, "Canada needs 3.45 million more homes by 2030 to cut housing costs as population grows, CMHC predicts," September 13, 2023, <https://www.theglobeandmail.com/business/article-canada-needs-345-million-more-homes-by-2030-to-cut-housing-costs-as/>

Policy Solutions

Canada's guest worker programs should not harm our labour market, but that is exactly what's been happening. For years, the TFWP was the go-to source of labour for low-wage employers. The TFWP has recently been surpassed by the IMP and the International Student Program in terms of numbers of non-permanent residents. The suppression of wage growth in low-wage occupations has to stop if we want a labour market that provides opportunity for all workers. Canada's current low-wage occupations should not be staffed predominantly by guest workers because the wages are too low for people already in our labour market to accept.

Solution: Wind down approvals for non-agriculture, low-wage jobs in the Temporary Foreign Worker Program

The Temporary Foreign Worker Program allows the federal government to control which jobs guest workers can get hired into. For too long, the TFWP has been the go-to program for employers who hire into low-wage jobs and occupations – they've become hooked on cheap offshore labour, cheaper than they can get within the Canadian labour market.

Many of the jobs' median wages are below a 'living wage' in Canadian communities, thereby perpetuating a cycle of poverty where the only workers available are those from another country who have incentives to accept jobs for wage rates lower than a typical Canadian would accept.

There needs to be a cap on the number of approvals for low-wage jobs and a decrease over time until they are phased out entirely.

Solution: International students and the work force

We support the federal government's decision to put a cap on the number of international students in light of suppression of wages in low-wage occupations.³⁹ However, care must be given to the bottom line of some post-secondary institutions, many of which have become dependent on lucrative international tuition. There are some schools that are not legitimate, however, and become nothing but "degree

³⁹ Aaron Wherry, CBC News, "Federal government announces 2-year cap on student permits," January 22, 2024, <https://www.cbc.ca/news/politics/miller-cap-international-students-1.7090779>

mills". Post-secondary education is a provincial jurisdiction, so collaboration with provinces to ensure legitimate schools are protected is required.

The reality is that many students, whether domestic or international, often need jobs to make ends meet and these are often low-wage jobs because they offer the flexibility students need to get their education. For international students, their education should be their primary focus, not filling the labour needs of low-wage employers.

We also support the government's decision to end eligibility of international students for the Post-Graduate Work Permit Program through the IMP, which has seen a huge increase in permits recently. The government should re-think its waiving of the 20-hour cap for off-campus work. The cap should be reimposed without exception.

Solution: Pathway to regularization for undocumented workers

We're pleased that the federal government is looking at a pathway for undocumented workers to apply for permanent residency.⁴⁰ We have a saying in the labour movement, "if you're good enough to work here, you're good enough to be Canadian". There are an estimated 300,000 to 600,000 undocumented workers in Canada. They have fewer rights than landed immigrants or citizens and cannot speak up when faced with discrimination, exploitation, or unsafe work for fear of deportation. Give them a chance to become Canadian citizens. Once they are citizens and have full rights in the labour market, including the right to join unions, they will be less exploitable and, therefore, less likely to be used as pawns to suppress wages. The amnesty for undocumented workers would amount to a large influx of workers into low-wage sectors – but the effect would be temporary because the ranks of the undocumented would cease to be augmented by the relentless growth of the low-wage TFWP and IMP streams.

⁴⁰ Marie Woolf, "Ottawa plans to create Canadian citizenship path for undocumented immigrants," December 14, 2023, <https://www.theglobeandmail.com/politics/article-canadas-immigration-minister-plans-broad-program-to-allow-immigrants/>

Solution: Invest in housing

The government should work to address high housing costs by investing and encouraging housing supply, especially in Canada's main urban centres. Workers should also have access to more off-market housing, such as cooperative housing, municipal-control housing corporations, as well as other forms of public housing to reduce pressure on rental housing costs. And more should be done to help universities, colleges and technical schools build on-campus housing, so that students aren't competing with non-students for off-campus housing and driving up rents. There is certainly a role for the federal government to play here, something we encourage.

Solution: Better labour-market data

The effects of the Temporary Foreign Worker Program on Canada's labour market are only understandable because of the information employers submit to the government. It's not perfect, but at least there's some data on wages offered, attempts to hire Canadians and landed immigrants, and the name of the employer themselves.

The same information is not available through the IMP or the International Students Program. Some researchers have access to tax data and can identify earnings and industry, but not nearly the same labour-market information as is available with the TFWP.

We urge the government to consider ways to have more labour-market information on Canada's guest workers, especially those here on a student visa or work visa through the IMP.

Conclusion

Working in Canada should offer opportunity, not exploitation. This is something the labour movement in Canada strives for. We believe in building a better world through improved workplace conditions for all workers. While we acknowledge the federal government recognizes that Canada's guest worker programs are in need of repair, we urge the government to take both a worker-centric approach and think of the broader implications in terms of raising wages in industries where they've remained far too low. The same industries that complain about labour shortages have the lowest wages in Canada, so they turn to guest worker programs for labour supply. This cycle has to stop.

Guest worker programs should be a last resort, not a first choice for employers. They should not be encouraged or allowed to build their business models on the use and exploitation of guest workers. Governments should take the arguments from employers in the low-wage service sector about "labour shortages" with a grain of salt. What we're dealing with is not a labour shortage, but a shortage of employers willing to respond to labour market signals that are telling them to increase wages.



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