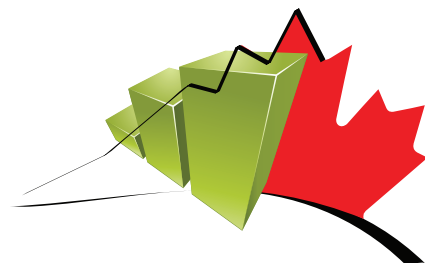


Economic and Social Reports

Transition to permanent residency by lower- and higher-skilled temporary foreign workers



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Transition to permanent residency by lower- and higher-skilled temporary foreign workers

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Abstract

Attention surrounding differences in the pathways to permanent residency for lower- and higher-skilled temporary foreign workers has increased, particularly as the COVID-19 pandemic highlighted the contribution of lower-skilled temporary foreign workers in essential industrial sectors. This article examines the skill distribution of temporary foreign workers and their transition to permanent residency by skill level. Determining the skill level of temporary foreign workers can be challenging. While for the majority of temporary foreign workers (ranging from 56% to 73% depending on the arrival cohort) the skill level is reported on the work permit, for many it is unavailable. When the skill designation is missing, annual earnings are used as a proxy for skill level. The analysis shows that higher-skilled temporary foreign workers outnumbered their lower-skilled counterparts over the 2000-to-2014 period, though their share of the temporary foreign worker population decreased from the 2000-to-2004 cohort to the 2010-to-2014 cohort. Lower-skilled temporary foreign workers were more likely than higher-skilled temporary foreign workers to make the transition to permanent residency, although this difference narrowed across the 2000-to-2004, 2005-to-2009 and 2010-to-2014 cohorts. The five-year transition rate remained around 30% among lower-skilled workers in all three cohorts, but increased from 11% to 27% among higher-skilled workers across the cohorts. In terms of the composition of temporary foreign workers who became permanent residents, the shares of higher- and lower-skilled workers were similar in the 2010-to-2014 cohort, at 47% and 45%, respectively, while workers with undetermined skill levels accounted for the remaining 8%. The pathways to permanent residency varied significantly for lower- and higher-skilled temporary foreign workers. In the 2010-to-2014 cohort, the higher-skilled workers transitioned to permanent residency primarily through provincial nominee programs (PNPs) and the Canadian Experience Class. Meanwhile, the lower-skilled workers made the transition primarily through PNPs, the Live-in Caregiver Program and the family class.

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Introduction

The number of temporary foreign workers holding work permits in Canada has increased rapidly over the past two decades, from 66,600 in 2000 to 429,000 in 2018 (Hou et al., 2020). At the same time, the proportion of these temporary foreign workers who made the transition to permanent residency increased. Estimates suggest that for the 2006 cohort of temporary foreign workers with work permits, more than one-third (39%) ultimately made the transition to permanent residency (Lu & Hou, 2017; Prokopenko & Hou, 2018). As a result of the growing number of temporary foreign workers and the rising transition rate, permanent residents are increasingly selected from the pool of temporary foreign workers. In 2018, about one-half of new economic immigrants were former temporary foreign workers, up from 8% in 2000 (Hou et al., 2020).

Recently, attention surrounding differences in the pathways to permanent residency for lower- and higher-skilled temporary foreign workers has increased, particularly as the COVID-19 pandemic highlighted the contribution of lower-skilled temporary foreign workers in essential industrial sectors (e.g., Alboim et al., 2021; Banerjee & Hiebert, 2021; Esses et al., 2021). The traditional Federal Skilled Worker Program (FSWP), which heavily favours the selection of individuals with university degrees, places some restrictions by design on the pathway to permanent residency for less educated or skilled temporary foreign workers. However, the role of the FSWP in the selection of economic immigrants is much smaller than it once was. By 2018, FSWP entrants accounted for 20% of all new economic immigrants, while provincial programs (provincial nominee programs [PNPs] and Quebec admissions) and the Canadian Experience Class (CEC) had increased their shares to 50% and 15%, respectively (Hou et al., 2020). Taken as a whole, the PNPs in particular do not have the same strong orientation towards the highly educated as the FSWP. Their share growth would tend to increase the likelihood of less educated or skilled temporary foreign workers making the transition to permanent residency. In addition to the economic category (including the spouses and dependants of economic principal applicants), transition to permanent residency also occurs via non-economic categories of admission, with both lower- and higher-skilled temporary foreign workers becoming permanent residents through the family class or as refugees.

However, estimating transition rates among temporary foreign workers by skill level is a challenge. The main issue is that there is often no information regarding skill levels on the work permits issued to temporary foreign workers, as this information is not always mandatory. This article uses both occupational skill level (where available) and earnings information to categorize temporary foreign workers into lower- and higher-skilled groups. Using this approach, this article examines (1) the share of temporary foreign workers who are higher- or lower-skilled, (2) the rate of transition to permanent residency by skill level, (3) the skill distribution of temporary foreign workers who become permanent residents and (4) the pathways (i.e., the immigrant classes) to permanent residency for temporary foreign workers by skill level. The study relies on data from the Longitudinal Immigration Database. The study population includes temporary residents whose first permit was a work permit that was issued during the period from 2000 to 2014.¹

1. This analysis did not include individuals whose first permit was for study or asylum but who subsequently obtained a work permit. For instance, among those who obtained their first work permits during the 2010-to-2014 period, 183,000 individuals initially had a study permit, 63,000 initially were asylum seekers and 671,000 initially had a work permit. Several previous studies have examined the transition to permanent residency among study permit holders (e.g., Choi et al., 2021).

Determining the skill level of temporary foreign workers

Indicators often used to assess skill level, such as educational attainment and actual occupation, are not collected in the administrative file for temporary foreign workers. Temporary foreign workers are admitted primarily through the Temporary Foreign Worker Program (TFWP) and the International Mobility Program (IMP). Participants in the TFWP hold an employer-specific work permit that has a designated occupational skill level, but most IMP participants hold an open work permit without a designated occupation. As the IMP's share of temporary foreign workers increased over time, the proportion without a skill designation on their work permit also increased, from 27% (for the 2000-to-2004 entering cohort of temporary foreign workers) to 35% for the 2005-to-2009 cohort, and then to 44% for the 2010-to-2014 cohort (Table 1).

For temporary foreign workers with designated occupational skill levels in their work permits, the skill ratings are based on the 2016 National Occupational Classification system: level O, managerial; level A, professional; level B, skilled trades and technical; level C, intermediate and clerical; and level D, elemental and labourers.

For temporary foreign workers without a designated skill level but who had earnings in the T4 tax returns,² this analysis uses the annual earnings³ as a proxy for skill level (assuming that higher annual earnings are associated with higher skills). Four earnings levels are classified, where maximum annual earnings are (1) half or less than half the national median annual earnings,⁴ (2) more than half the national median annual earnings and equal to or less than the national median, (3) more than the national median annual earnings and equal to or less than two times the national median, and (4) more than two times the national median annual earnings. Temporary foreign workers without a designated skill level or T4 earnings are labelled as skill level undetermined.

For the 2000-to-2004, 2005-to-2009 and 2010-to-2014 cohorts, designated occupations from work permits were used to determine skill levels for 73%, 65% and 56% of temporary workers, respectively. Conversely, earnings were used to determine skills for 17%, 23% and 27% of temporary foreign workers, respectively. Depending on the cohort, neither skill level nor earnings were known for 10% to 17% of temporary foreign workers.

The following approach is used to define lower- and higher-skilled temporary foreign workers. The higher-skilled category includes workers in skill levels O, A and B, and those without a skill designation who earned more than the national median annual earnings.⁵ Lower-skilled workers include those in skill levels C and D, and those without a skill designation but with annual earnings equal to or less than the national median earnings. As reported in the appendix, two robustness tests were conducted to assess the consistency of the skill assignment on the work permits across the two data sources. The tests also assessed the effect a different definition of lower- and higher-skilled workers had on the results.

Based on this classification, in the 2000-to-2004 cohort, 58% of temporary foreign workers were higher-skilled, 32% were lower-skilled and 10% were of undetermined skills (Table 1). The corresponding shares

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2. Not all temporary foreign workers report earnings in Canada. Some may leave Canada shortly after arriving, some who hold open work permits may not have found a job and some may be inter-firm transfers reporting earnings in their home country.
 3. The highest earnings registered by the temporary foreign worker during their previous 10 years in Canada.
 4. The national median annual earnings are based on individuals aged 20 to 64 who had at least \$500 (in 2018 constant dollars) in employment earnings (wages, salaries and net self-employment income) in a year. The national median earnings (in 2018 constant dollars) were \$37,900 in 2000 and \$43,200 in 2018 (authors' calculations from the Longitudinal Administrative Databank).
 5. An analysis based on records with both a skill designation and annual earnings indicated that using the median earnings as the cut-off point between lower- and higher-skilled workers is quite reasonable. The vast majority of temporary foreign workers with skill levels C or D had earnings below the national median annual earnings, and the vast majority of those with skill levels O, A or B had earnings above the national median earnings.

are 45%, 43% and 12% for the 2005-to-2009 cohort, and 44%, 39% and 17% for the 2010-to-2014 cohort. These results indicate that the share of higher-skilled temporary foreign workers decreased across the three cohorts (from 58% to 44%), though caution must be exercised in interpreting this trend because of the rising share of workers with undetermined skill levels.

Across the three arrival cohorts of temporary foreign workers, the share of women increased, as did that of workers in the 18 to 34 age range. Among the major source countries, the shares from the United States, United Kingdom and Japan decreased, while the shares from France, India and South Korea increased (Table 1).

Table 1
Demographic characteristics of temporary foreign workers by year in which the first work permit was obtained

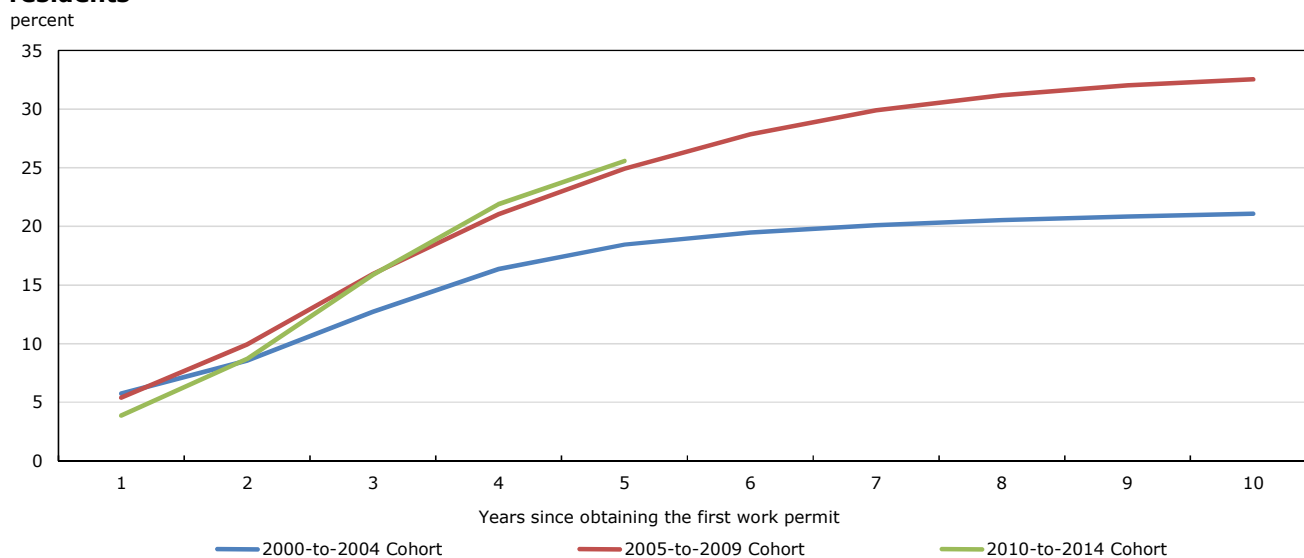
	2000 to 2004	2005 to 2009	2010 to 2014
	percent		
Sex			
Male	64.2	59.3	58.6
Female	35.8	40.7	41.4
Age at first permit			
Younger than 24	23.8	24.2	26.3
25 to 34	40.9	43.1	44.5
35 to 44	21.1	20.6	17.7
45 to 54	10.2	8.8	7.7
55 and older	4.0	3.3	3.8
Source country			
United States	27.7	17.0	16.1
Mexico	4.5	4.2	2.8
France	6.8	8.4	10.4
United Kingdom	8.8	7.1	5.6
China	1.7	1.8	2.2
Japan	6.6	5.1	4.2
South Korea	1.2	2.7	4.0
Philippines	6.0	13.4	9.1
India	3.1	4.8	6.0
Australia	5.9	7.0	5.4
Other Latin American countries	5.7	6.3	7.5
Other European countries	13.3	14.2	18.1
Other African countries	2.1	2.0	2.0
Other Asian countries	3.4	3.4	4.1
Other countries	3.2	2.5	2.4
Highest skill or earnings level from first entry to the fifth year			
Skill level O	4.7	4.6	5.2
Skill level A	34.7	21.3	19.0
Skill level B	16.8	17.3	16.6
Skill level C	15.8	17.8	11.6
Skill level D	1.0	4.4	3.2
Earnings greater than two times the national median	0.2	0.4	0.7
Earnings greater than the national median to less than or equal to twice the national median	1.0	1.7	2.9
Earnings greater than half the national median to less than or equal to the national median	2.6	4.0	5.6
Earnings less than or equal to half the national median	12.9	16.8	18.2
Skill level undetermined	10.0	11.6	16.9
Aggregated skill levels			
Higher skilled	57.6	45.3	44.4
Lower skilled	32.4	43.0	38.6
Skill level undetermined	10.0	11.6	16.9
		number	
Total person count	381,400	563,900	671,200

Sources: Statistics Canada, Longitudinal Immigration Database and T4 file.

Trends in the overall rates of transition from temporary foreign workers to permanent residents

An earlier study showed that the tendency of temporary foreign workers to become permanent residents increased significantly between the 1995-to-1999 and the 2005-to-2009 cohorts, with the five-year transition rate more than doubling (Lu & Hou, 2017). The five-year transition rate is the percentage of all temporary foreign workers who made the transition to permanent residency within five years of their arrival in Canada. Chart 1 shows that the five-year transition rate increased from 18% to 25% between the 2000-to-2004 and 2005-to-2009 cohorts, and stabilized between the 2005-to-2009 and 2010-to-2014 cohorts. The 10-year transition rate increased from 21% to 33% between the 2000-to-2004 and 2005-to-2009 cohorts, a trend following that of the five-year rates.

Chart 1
Cumulative rates of transition from temporary foreign workers to permanent residents



Source: Statistics Canada, Longitudinal Immigration Database.

Transition rates by skill level

In all three five-year arrival cohorts, lower-skilled workers were more likely to make the transition to permanent residency than higher-skilled temporary foreign workers, although the difference narrowed considerably in the latest cohort. The five-year transition rates remained about 30% for lower-skilled workers in all three cohorts, but increased for higher-skilled workers from 11% in the 2000-to-2004 cohort to 27% for the 2010-to-2014 cohort (Table 2).⁶ This large increase in the transition rates for higher-skilled temporary foreign workers was largely because of the increase in the transition probability of those in skill level B (skilled trades and technical).

At more refined skill levels, in the 2010-to-2014 cohort, temporary foreign workers in skill levels C and D had the highest five-year transition rates, with rates between 38% (skill level D) and 42% (skill level C). The transition rate among those in skill level A—professionals—was the lowest, at 18%. As noted, skill

6. The transition rate for the higher-skilled workers is the weighted average of the transition rates for those in skill categories O, A and B plus those earning more than the national median annual earnings. The weights are the share of temporary foreign workers in each group. The aggregate transition rate for the lower skilled is the weighted averages of transition rates for those in skill levels C and D plus those earning less than the national median.

level B—skilled trades and technical—was the only group that saw a significant increase in the five-year transition rate over time, rising from 7% to 30% between the 2000-to-2004 and 2010-to-2014 cohorts (Table 2).

The 10-year transition rates also showed that, for the earlier cohorts, lower-skilled temporary foreign workers were more likely than their higher-skilled counterparts to make the transition. Lower-skilled workers in the 2005-to-2009 cohort had a 10-year transition rate of 40%, while higher-skilled workers had a rate of 28%. Skill level C—intermediate skills and clerical—registered the highest 10-year transition rate, at 57%, compared with rates of 31%, 20% and 33% for the higher skill levels O, A and B, respectively (Table 2).

Among temporary foreign workers without a skill designation but who reported annual earnings, those with very low earnings (less than one-half the national median) were the only group of significant size, constituting 13% of all temporary foreign workers in the 2000-to-2004 cohort and 18% in the 2010-to-2014 cohort (Table 1). This group's transition rate was below the average for the 2005-to-2009 and 2010-to-2014 cohorts, with a five-year transition rate between 16% and 18% (Table 2). Temporary foreign workers with low pre-landing annual Canadian earnings did less well economically after landing than those with higher earnings—controlling for observable characteristics such as education, age and official language ability (Hou et al., 2020). It is argued that pre-landing earnings are a proxy for unobserved characteristics such as motivation and interpersonal relations. As a result, the selection process may produce lower transition rates among temporary foreign workers with very low earnings.

In contrast, the transition rates were relatively high among those without an occupational skill designation but with annual earnings above the national median earnings (Table 2). However, this group accounted for between 1% and 3% of temporary foreign workers, depending upon the cohort (Table 1), and, hence, had little effect on the overall transition rates.

Table 2
Cumulative rates of transition from temporary residents to permanent residents by demographic characteristics, by year in which the first work permit was obtained

	5-year cumulative transition rate			10-year cumulative	
	2000 to 2004	2005 to 2009	2010 to 2014	2000 to 2004	2005 to 2009
	percent				
Overall	18.4	24.9	25.6	21.1	32.5
Sex					
Male	11.3	19.1	20.4	13.4	24.2
Female	31.3	33.3	32.9	35.0	44.6
Age at first permit					
Younger than 24	10.3	11.3	11.0	12.3	15.5
25 to 34	23.5	30.3	32.7	26.6	38.7
35 to 44	22.1	32.6	34.6	25.2	43.7
45 to 54	13.7	23.2	21.9	15.7	30.1
55 and older	8.1	11.5	8.6	8.9	13.2
Source country					
United States	6.1	9.3	7.3	7.0	10.8
Mexico	9.7	16.3	19.9	10.7	21.2
France	14.7	17.9	19.9	17.1	21.8
United Kingdom	18.1	31.0	28.3	21.1	35.2
China	44.2	43.3	30.4	47.7	48.8
Japan	6.1	7.2	6.5	8.6	9.7
South Korea	31.6	28.1	21.3	37.6	35.1
Philippines	77.1	54.4	70.2	85.9	85.2
India	25.3	34.5	48.9	29.0	42.3
Australia	7.3	6.1	9.4	9.1	9.8
Other Latin American countries	28.1	27.9	21.5	32.1	33.4
Other European countries	17.9	22.7	23.6	20.0	26.6
Other African countries	42.8	50.7	49.1	48.1	57.3
Other Asian countries	32.7	38.5	33.7	37.9	46.5
Highest skill or earnings level in previous years					
Skill level O	18.2	24.4	23.4	23.0	30.6
Skill level A	10.5	16.7	17.7	12.6	19.9
Skill level B	7.0	23.3	30.1	9.5	33.2
Skill level C	34.2	37.8	42.3	38.8	56.9
Skill level D	4.2	32.0	37.5	5.7	43.8
Earnings greater than two times the national median	55.8	62.5	66.4	61.2	71.4
Earnings greater than the national median to less than or equal to twice the national median	69.2	58.2	62.4	74.0	68.5
Earnings greater than half the national median to less than or equal to the national median	56.8	44.1	44.2	60.2	50.5
Earnings less than or equal to half the national median	20.5	17.6	15.8	22.2	19.3
Skill level undetermined	23.1	17.8	13.4	24.2	19.0
Aggregated skill levels					
Higher skilled	11.3	22.0	26.7	13.8	28.4
Lower skilled	29.6	29.9	29.7	32.9	40.3
Skill level undetermined	23.1	17.8	13.4	24.2	19.0

Sources: Statistics Canada, Longitudinal Immigration Database and T4 file.

The skill distribution of temporary foreign workers who became permanent residents

Table 3 presents the skill distribution of temporary foreign workers who became permanent residents by 2019. Their skill level is determined in the manner described above.

Table 3
Skill level distribution of temporary foreign workers who became permanent residents by 2019, by year of arrival as a temporary foreign worker

	Year of arrival as a temporary foreign worker		
	2000 to 2004	2005 to 2009	2010 to 2014
	percent		
Highest skill or earnings level from first entry to landing year			
Skill level O	5.6	4.6	4.9
Skill level A	20.9	13.1	13.0
Skill level B	7.9	17.9	19.7
Skill level C	28.8	31.4	20.0
Skill level D	0.3	5.5	4.8
Earnings greater than two times the national median	0.8	1.0	1.7
Earnings greater than the national median to less than or equal to twice the national median	3.8	3.9	7.3
Earnings greater than half the national median to less than or equal to the national median	7.6	6.2	9.6
Earnings less than or equal to half the national median	13.3	9.8	10.8
Skill level undetermined	11.1	6.7	8.3
Total	100.0	100.0	100.0
Aggregated skill levels			
Higher skilled	39.0	40.4	46.5
Lower skilled	49.9	52.9	45.2
Skill level undetermined	11.1	6.7	8.3
	number		
Total person count	83,500	186,000	192,100
Higher skilled	32,600	75,200	89,300
Lower skilled	41,600	98,500	86,800
Skill level undetermined	9,300	12,400	15,900

Sources: Statistics Canada, Longitudinal Immigration Database and T4 file.

Among the 2000-to-2004 and 2005-to-2009 cohorts of temporary foreign workers who became permanent residents, the lower skilled accounted for 50% to 53% of the total, while the higher skilled accounted for 39% to 40%. For both cohorts, those at skill level C (considered lower skilled) were the most numerous (Table 3). Relatively few (5%) were at managerial skill level O or skill level D.

Among the 2010-to-2014 cohort of temporary foreign workers who became permanent residents by 2019, the shares of lower- and higher-skilled workers were more balanced, with each accounting for 45% to 47%. Individuals whose skill level was undetermined accounted for the remaining 8%. Among those who had a skill designation, the largest shares—at about one-fifth each—were skill level B (skilled trades and technical), considered higher skilled, and skill level C (intermediate and clerical), considered lower skilled. Skill level A (professional occupations) accounted for 13% of those who made the transition, and relatively few were in the managerial group skill level O (5%). Among former temporary foreign workers who had no occupational skill designation but had earnings, those with pre-landing earnings that were less than one-half the national median constituted the largest group (11%).

The pathways to permanent residency for temporary foreign workers

The temporary foreign workers who became permanent residents used numerous immigration programs to achieve that goal. The FSWP, with its focus on the highly educated, is often thought of as the predominant pathway for potential economic immigrants, including temporary foreign workers. However, provincial programs (including the PNPs and Quebec admissions) now account for the largest share of economic immigrants, followed by the CEC. Beyond these main economic immigrant programs, there are other pathways, such as through the Live-in Caregiver Program or the family class or as refugees. All of these programs are potential pathways to permanent residency for temporary foreign workers.

Not surprisingly, the pathways were different for lower- and higher-skilled temporary foreign workers who became permanent residents by 2019 (Table 4). In the 2010-to-2014 cohort, among the higher skilled, provincial programs were the most important, accounting for almost one-half of higher-skilled temporary foreign workers who became permanent residents by 2019. The CEC was the second most used pathway, accounting for 31%.

Lower-skilled temporary foreign workers used more diverse pathways to permanent residency. Roughly an equal number (about 30%) made the transition via the provincial and live-in caregiver programs (Table 4). The family class also provided an important pathway, accounting for 23% of lower-skilled transitions.

Regarding change over time between the 2000-to-2005 and 2010-to-2014 cohorts, provincial programs were an increasingly important pathway for both lower- and higher-skilled temporary foreign workers (Table 4). Among the higher skilled, the CEC also increased in importance. Among the lower skilled, the Live-in Caregiver Program was a decreasingly important pathway. Notably, the share of higher-skilled temporary foreign workers landing via the FSWP declined from 43% to 8% across the three cohorts.

Table 4
Immigrant class of temporary foreign workers who became permanent residents by 2019

	Year of arrival as a temporary foreign worker		
	2000 to 2004	2005 to 2009	2010 to 2014
	percent		
Higher skilled			
Federal Skilled Worker Program	42.7	21.0	8.0
Provincial programs	29.9	46.9	48.2
Canadian Experience Class	3.2	16.2	30.5
Federal Skilled Trades Program	0.0	0.3	2.0
Live-in Caregiver Program	0.2	0.3	0.1
Other economic classes	0.9	0.3	0.2
Family class	20.8	13.9	10.3
Refugees	1.1	0.4	0.2
Others	1.3	0.7	0.4
Total	100.0	100.0	100.0
Lower skilled			
Federal Skilled Worker Program	9.3	5.8	3.4
Provincial programs	6.5	24.7	30.7
Canadian Experience Class	0.3	1.9	8.7
Federal Skilled Trades Program	0.0	0.0	0.5
Live-in Caregiver Program	48.0	44.6	30.4
Other economic classes	0.1	0.1	1.2
Family class	31.9	20.7	22.8
Refugees	0.7	0.5	0.7
Others	3.1	1.6	1.5
Total	100.0	100.0	100.0
Skill level undetermined			
Federal Skilled Worker Program	19.0	21.9	9.4
Provincial programs	7.9	23.5	31.0
Canadian Experience Class	0.6	6.8	21.9
Federal Skilled Trades Program	0.0	0.0	0.5
Live-in Caregiver Program	0.1	0.1	0.1
Other economic classes	0.3	0.5	0.3
Family class	67.2	42.6	32.6
Refugees	0.5	0.5	0.7
Others	4.4	4.2	3.4
Total	100.0	100.0	100.0

Sources: Statistics Canada, Longitudinal Immigration Database and T4 file.

Conclusion

This article examined the skill distribution of temporary foreign workers and their rates of transition to permanent residency by skill level.

Assessing skill level is challenging since some temporary foreign workers do not have a skill designation on their work permit. However, for the majority of temporary foreign workers, the skill level is determined by the skill designation on their work permits. For those without such a designation, annual earnings are used as a proxy for skill level. Based on this approach, in the 2000-to-2004 cohort, 58% of temporary foreign workers were higher-skilled, 32% were lower-skilled and 10% had an undetermined skill level. In the 2010-to-2014 cohort, the share of higher-skilled workers declined to 44%, while the share of lower-skilled workers increased to 39%. The share of workers with undetermined skills increased from 10% to 17%.

The transition rate to permanent residency among lower-skilled temporary foreign workers was either greater than or roughly equal to that of their higher-skilled counterparts, depending upon the cohort. In the 2000-to-2004 cohort, the 10-year transition rates of lower- and higher-skilled temporary foreign workers were 30% and 14%, respectively. In the 2005-to-2009 cohort, these rates were 40% and 28%, respectively.

For more recent results, the share of temporary foreign workers in the 2010-to-2014 cohort who made the transition within five years (by 2019) was determined. This five-year transition rate was roughly the same among lower-skilled and higher-skilled temporary foreign workers, at 30% and 27%, respectively. The gap between the higher- and lower-skilled workers narrowed across cohorts largely because of an increase in the transition rate for workers at skill level B—a higher-skilled group consisting of skilled trades and technical occupations.

In terms of the composition of temporary foreign workers who became permanent residents, the shares of higher- and lower-skilled workers were similar in the 2010-to-2014 cohort, at 47% and 45%, respectively. Workers with undetermined skill levels accounted for the remaining 8%. In the earlier cohorts, lower-skilled workers accounted for larger shares and higher-skilled workers accounted for smaller shares of the temporary foreign workers who became permanent residents.

The pathways to permanent residency by 2019 varied considerably for lower- and higher-skilled temporary foreign workers. In the 2010-to-2014 cohort, the higher skilled transitioned to permanent residency by 2019 primarily through provincial programs and the CEC, while the lower skilled made the transition primarily through provincial programs, the Live-in Caregiver Program and the family class.

In sum, while the share of higher-skilled temporary foreign workers decreased from the 2000-to-2004 cohort to the 2010-to-2014 cohort, they outnumbered their lower-skilled counterparts in all three cohorts. Lower-skilled temporary foreign workers had higher or equal rates of transition to permanent residency when compared with their higher-skilled counterparts, depending upon the cohort. For the latest cohort studied, among those who became permanent residents, there was an equal share of lower- and higher-skilled workers.

It is important to monitor these transition patterns for more recent cohorts when newer data become available, since changes in economic conditions and immigration policy could alter the observed patterns. In particular, the results of this study are based on data from before the COVID-19 pandemic. Because of restrictions on international travel during the pandemic, new economic immigrants were selected primarily from among temporary foreign workers and international students who were already in Canada. As a result, the rate of transition to permanent residency among temporary foreign workers, especially lower-skilled workers, might increase considerably. This possibility can be confirmed when data become

available. Beyond the transition dynamics, monitoring the short-term and long-term economic outcomes of those who made the transition by skill level will also shed light on the adaptability and resiliency of these workers.

Appendix: Robustness checks

The first robustness test assesses the degree to which the skill level designation based on the work permit is similar to that of intended occupations among those who became permanent residents as economic principal applicants. A comparison of the skill levels based on the two sources showed a very high correlation. Between 81% and 95% of the five skill designations (O, A, B, C and D) based on the two sources were identical. The share of economic principal applicants who were designated as higher skilled based on the approach used in this research (using skill level and earnings) was 79%, compared with 83% based on the intended occupation recorded in immigrants' landing files.

The second test determines how robust the transition rates are to a change in the definition of higher- and lower-skilled workers. A calculation based on the partial sample where both the skill designation from the work permit and earnings were known suggested that about 40% of those earning less than the median earnings were designated as higher skilled according to their work permit. This may occur because some temporary foreign workers with a higher skill designation may intentionally overestimate their skill level, could not find a higher-skilled job or worked only part-year and hence had a low annual salary. Even though the partial sample is likely not representative of the entire temporary foreign worker population, a robustness check was conducted. Rather than considering all workers with less than the median earnings to be lower skilled, as was done in the calculation for the paper, 40% were assumed to be higher skilled. All other skill designations remained as in the paper. The test results showed that when the calculations were redone based on this assumption, the five-year transition rates for the 2010-to-2014 cohort changed from 30% and 27% for lower- and higher-skilled workers, respectively, as reported in the paper, to 32% and 26% under the alternative definition. Among temporary foreign workers who became permanent residents, the share who were lower- and higher-skilled also changed, from 45% higher skilled, 46% lower skilled and 9% unknown (reported in the paper), to 55%, 37% and 9%, respectively, under the alternative definition.

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