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Foreign workers in Canada: Changing composition and employment incidences of work permit holders

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Canada has a long history of recruiting foreign nationals to address temporary labour shortages through a diverse range of work permit programs. In the past decade, along with a significant increase in the number of work permit holders, there have been large changes in the composition of this population in terms of work permit programs and demographic characteristics. Each work permit program is governed by unique legal and regulatory frameworks and faces distinct challenges related to residency status, access to social services and the possibility of transitioning to permanent residency. Additionally, these programs involve varying degrees of job availability, work engagement and concentration in different industrial sectors.

This article aims to examine recent changes in the composition of work permit programs and the proportion of work permit holders reporting employment income. This analysis can improve the understanding of the evolving complexities of work permit programs and their economic, social and policy implications.

Changing composition of work permit holders

Foreign nationals can obtain work permits to work in Canada through two programs: the Temporary Foreign Worker Program (TFWP) and the International Mobility Program (IMP). The TFWP requires employers to secure a positive Labour Market Impact Assessment (LMIA) before hiring a foreign worker to fill a job that cannot be filled by a Canadian worker. The IMP is exempt from the LMIA requirement and is designed to serve broad Canadian interests and fulfill Canada's international agreements.¹

From 2010 to 2021,² the total number of work permit holders in Canada increased by 81%, rising from 531,700 to 963,400. This growth was primarily driven by the IMP for work and study purposes. The share of IMP work permit holders for work purposes increased from 42% to 55% in 2021, and the share of IMP permit holders for study purposes more than doubled from 8% to 18% (Table 1). The share for humanitarian and compassionate reasons fluctuated from 5% to 14%, reflecting the inflows of asylum seekers in Canada.

1. For a detailed description, please see Temporary workers - Canada.ca (Government of Canada, n.d.).

2. Immigration, Refugees and Citizenship Canada has released data on the number of work permit holders on December 31, 2022, for the TFWP and the IMP for work purposes. However, 2021 is the most recent data point for the Non-permanent Resident File that is used in this article to compute the number of work permit holders whose permit was valid any time in a year. The number of valid work permit holders any time in a year consists of (1) all holders of new permits issued in the year and (2) permit holders who received a multi-year permit in a previous year and whose permit is still valid sometime in the year. See Lu & Hou (2023) for details.

In contrast, the share of TFWP permit holders among total work permit holders decreased by more than half, from 33% to 15%. Within the TFWP, live-in caregiver programs, higher-skilled temporary foreign workers and lower-skilled temporary foreign workers all experienced a considerable decline in their share of work permit holders. However, the agricultural streams, including the Seasonal Agricultural Worker Program, have maintained a steady share, ranging from 6% to 8%, as their absolute number more than doubled between 2010 and 2021.

The fastest-growing program within the IMP for work purposes was the Post-Graduation Work Permit Program (PGWPP). This program allows international students who have completed eligible postsecondary education in Canada to gain work experience in the country. The share of PGWPP work permit holders increased from 6% in 2010 to 28% in 2021, with their numbers growing from 33,100 to 269,700 over the same period.

In addition, the shares of work permit holders for study purposes and for spouses or partners of students also increased substantially. Together, they accounted for 21% of all work permit holders in 2021, more than doubling their share in 2010. Notably, work permit holders related to current and previous international students made up almost half (49%) of all work permit holders.

Conversely, the International Experience Canada program, which allows foreign youth to work in Canada through reciprocal agreements and arrangements, has decreased considerably in both absolute and relative terms in recent years.

Table 1
The composition of work permit holders by program type

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	count											
Total number of work permit holders	531,700	560,500	602,900	649,700	644,700	603,000	613,300	685,800	798,500	961,800	991,500	963,400
	percent											
Work permit programs												
Temporary Foreign Worker Program	32.9	28.6	27.3	27.1	26.3	23.8	19.2	15.8	14.3	13.9	13.7	15.1
Agricultural programs	6.6	6.5	6.3	6.4	7.0	7.7	8.3	8.1	7.6	7.0	6.6	7.7
Live-in caregiver programs	7.2	6.3	5.9	4.7	3.9	3.4	2.8	2.0	1.4	1.2	1.1	0.9
Higher-skilled temporary foreign workers	12.8	11.2	10.6	10.9	9.6	7.8	5.7	4.5	4.3	4.4	4.7	4.8
Lower-skilled temporary foreign workers	6.2	4.5	4.4	5.0	5.7	4.8	2.4	1.1	1.0	1.1	1.2	1.5
International Mobility Program for work purposes	42.4	46.0	48.5	50.1	53.1	57.6	61.8	61.6	60.3	58.6	58.5	54.6
International agreements or arrangements	6.2	6.9	7.4	7.3	7.5	7.7	7.3	6.4	5.5	4.6	3.9	3.4
Free trade agreements	5.4	5.7	5.9	5.7	5.8	6.1	5.7	5.0	4.2	3.4	2.7	2.2
Canadian interests	36.2	39.1	41.1	42.7	45.7	50.0	54.5	55.2	54.9	54.1	54.6	51.2
Intra-company transferees	3.1	3.5	3.9	3.8	3.8	4.0	4.0	3.6	3.4	3.3	2.9	2.7
International Experience Canada	17.0	17.4	16.9	15.3	15.1	16.1	16.7	18.0	17.2	14.5	10.3	6.1
Spouses or common-law partners of skilled workers	4.3	4.4	4.6	5.0	5.3	5.5	5.6	5.4	5.5	5.9	6.6	6.5
Spouses or common-law partners of students	0.9	1.0	1.0	1.0	1.3	1.8	2.3	2.7	3.1	3.5	3.1	3.6
Post-graduation employment	6.2	8.0	9.2	10.9	13.0	15.4	19.5	19.4	20.0	21.3	28.0	28.0
For study purposes	8.3	9.8	10.8	11.7	10.6	9.4	9.4	11.3	13.0	13.8	13.4	17.6
For humanitarian and compassionate reasons	14.3	12.8	10.8	8.8	7.7	5.6	4.5	6.9	9.4	11.2	11.4	10.4
For permanent residence applicants in Canada	2.1	2.8	2.6	2.3	2.3	3.6	5.0	4.4	3.0	2.4	2.9	2.2

Source: Statistics Canada, Non-permanent Resident File.

Work permit holders with employment income

Having a valid work permit does not guarantee employment income in Canada, since some individuals may not have the intention to work, some may not be able to find employment and some may have worked but their earnings were not formally reported. Overall, there has been an increase in employment incidences (which includes reported T4 earnings or self-employment income) among work permit holders over time. In 2010, about 60% of work permit holders were employed, but this percentage increased to 68% in 2019 and further to 71% in 2020³ (Table 2).

Employment incidences⁴ of work permit holders varied greatly depending on the program. Because work permit holders under the TFWP were directly recruited by employers, they were more likely to have employment income than those under the IMP for work or other purposes. In particular, work permit holders from the agricultural streams had an employment incidence that varied between 89% and 95% over the period studied. Employment incidences were generally above 84% for live-in caregiver programs and above 77% for lower-skilled TFWP work permit holders. Higher-skilled TFWP work permit holders saw their employment incidence increase from 60% in 2010 to 83% in 2020.

Within the IMP for work purposes, PGWPP permit holders tended to have the highest employment incidence: it increased from 70% in 2010 to 81% in 2020. Spouses or partners of study permit holders and intra-company transferees also displayed relatively high employment incidences, while work permit holders under international agreements had lower employment incidences. Only a small fraction of work permit holders arriving through free trade agreements reported income in Canada, and this rate barely changed over the study period, with less than one-third of them reporting employment income. Among work permit holders for study purposes, employment incidences increased from 53% in 2010 to 62% in 2020. Similarly, the employment incidence of work permit holders for humanitarian and compassionate reasons increased from 53% to 68%.

The employment incidences of work permit holders under various programs were likely influenced by the duration of the permit, as well as the age, sex and source country of the worker. Table 2 shows that longer-duration work permits were associated with higher employment incidences. Additionally, male work permit holders had higher employment incidences compared with their female counterparts. Work permit holders aged 25 to 44 exhibited higher employment incidences than younger or older individuals. Work permit holders from Southeast Asia, the Caribbean and South and Central America, Africa, and South Asia showed higher employment incidences than those from other regions. After accounting for socioeconomic characteristics, the observed differences in employment incidences across work permit programs tended to increase rather than decrease (table not presented). This finding suggests that other factors, such as regulations governing each program, job availability and the intention to work, might have had a major impact on employment incidences by work permit program.

3. The latest data point for employment income in this study.

4. The yearly employment incidence based on annual earnings is generally much higher than the employment rate based on the employment status in a reference week, as in the Labour Force Survey.

Table 2
Percentage of work permit holders with employment income in Canada by program type and demographic characteristics

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	percent										
Total	59.8	59.7	61.3	62.2	63.9	64.6	65.9	66.1	67.6	68.3	71.0
Work permit programs											
Temporary Foreign Worker Program	76.1	77.8	80.7	81.9	82.5	81.3	83.6	87.4	87.4	86.5	85.8
Agricultural programs	91.0	92.7	93.6	93.8	93.9	94.8	94.5	93.8	91.8	90.5	89.3
Live-in caregiver programs	89.8	89.1	91.0	91.3	90.9	89.6	89.9	89.6	88.0	84.7	84.1
Higher-skilled temporary foreign workers	59.9	61.5	66.5	70.5	70.7	65.2	67.6	76.4	80.8	82.0	83.4
Lower-skilled temporary foreign workers	78.1	81.5	84.0	83.1	83.4	80.5	77.6	82.1	82.5	82.0	78.9
International Mobility Program for work purposes	50.2	51.5	53.7	56.1	58.5	60.5	62.6	64.0	65.5	67.3	70.3
International agreements or arrangements	31.1	36.0	38.6	39.6	38.2	37.7	38.6	39.3	39.6	40.1	42.4
Free trade agreements	28.6	30.9	31.6	32.0	31.2	31.3	29.7	29.1	29.2	30.7	30.2
Canadian interests	53.5	54.3	56.4	59.0	61.8	64.0	65.8	66.8	68.1	69.5	72.2
Intra-company transferees	58.6	62.3	65.5	65.1	64.8	66.4	67.0	65.8	68.9	72.8	73.0
International Experience Canada	56.5	55.3	55.4	56.8	60.7	65.2	67.9	69.0	66.6	66.6	63.3
Spouses or common-law partners of skilled workers	43.2	42.7	43.8	44.6	46.7	46.5	47.7	49.6	53.2	55.6	60.3
Spouses or common-law partners of students	55.3	55.8	56.6	54.4	56.9	61.1	61.7	64.6	66.4	68.7	71.2
Post-graduation employment	70.3	68.9	71.9	73.5	75.4	76.1	77.9	79.0	81.2	82.1	81.3
For study purposes	53.3	52.2	51.6	49.4	55.3	56.5	56.9	59.6	62.9	61.5	62.1
For humanitarian and compassionate reasons	53.1	51.8	54.4	52.3	49.9	53.6	56.9	51.1	59.9	61.6	68.4
For permanent residence applicants in Canada	70.0	73.1	69.0	65.1	61.8	59.8	63.1	61.0	59.2	61.0	66.5
Work permit duration in the year											
3 months or less	24.6	24.6	25.7	25.5	29.1	35.2	35.0	36.0	37.3	40.2	51.9
4 to 6 months	48.9	48.8	49.5	49.7	51.9	55.7	56.2	59.0	61.2	60.5	58.3
7 to 9 months	61.4	64.6	62.7	63.8	62.7	68.2	69.8	69.8	71.1	73.0	72.4
10 to 12 months	72.2	73.3	73.3	73.7	73.6	75.0	75.9	76.3	76.2	76.8	76.0
Sex											
Male	59.2	59.7	61.8	63.0	64.8	65.8	67.3	67.9	69.8	70.8	73.8
Female	60.7	59.7	60.7	61.0	62.5	63.0	63.9	63.5	64.5	64.8	67.0
Age group											
24 or younger	52.7	51.8	52.9	53.3	57.9	60.5	64.0	65.5	67.2	67.3	68.1
25 to 34	64.6	64.4	65.9	66.8	68.4	69.3	70.3	70.5	71.5	72.4	74.7
35 to 44	64.3	64.9	67.1	67.9	67.8	67.0	66.7	65.5	67.0	68.1	72.3
45 or older	49.1	50.0	51.7	53.1	52.5	51.9	51.9	51.6	53.8	54.9	59.8
Source region											
United States	31.0	32.0	33.9	34.5	34.0	33.3	31.0	31.4	31.7	31.8	32.4
Caribbean and Central and South America	68.1	70.4	72.7	71.2	72.0	76.2	80.9	79.9	81.5	79.8	81.2
Northern and Western Europe	54.0	54.2	53.9	55.0	57.4	59.9	61.6	62.8	62.9	63.6	63.6
Southern and Eastern Europe	51.9	52.0	56.9	60.6	62.5	62.5	64.3	64.1	63.3	59.4	65.9
Africa	65.8	65.9	68.6	67.2	69.3	70.2	71.5	69.5	73.2	76.6	80.3
West Asia	49.7	50.0	52.2	53.0	51.2	50.8	50.4	48.4	52.9	57.0	65.1
East Asia	53.1	50.8	51.7	53.3	56.0	57.2	58.7	60.4	60.8	60.7	58.5
Southeast Asia	87.3	86.6	87.6	87.2	87.3	85.5	84.9	82.4	80.4	80.0	81.6
South Asia	65.5	66.8	70.2	72.0	75.9	76.6	77.2	75.5	76.1	74.5	76.5
Other	54.6	52.6	52.6	55.3	59.0	62.7	65.4	68.1	64.3	65.0	60.7

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

In summary, there have been substantial changes in the program composition among work permit holders in Canada. The TFWP, except for agricultural programs, has seen a decrease in share and number, while the IMP, particularly programs related to international students, has gained dominance. This shift indicates that Canadian employers now have access to a large pool of work permit holders without the need to undergo an LMIA. Over the study period, from 2010 to 2020, the proportion of work permit holders reporting earnings in Canada rose from 60% to 71%, and this share varied considerably by permit program. However, the reasons why a significant proportion of work permit holders did not report earnings in Canada remain unknown. Additional surveys may help shed light on the issue.

Data and definitions

The number of valid work permit holders in a calendar year was obtained from the Non-permanent Resident File (NPRF), which contains information on all temporary residents who have received a temporary permit (excluding visitor permits) to enter Canada since 1980. Being employed was defined as having positive T4 earnings or non-zero self-employment income. This information was obtained by linking the NPRF with the Longitudinal Worker File, which currently has individual records from the T1 and T4 administrative files up to 2020.

This article counts each work permit holder only once per calendar year. In determining the permit type for individuals with multiple types of permits in a year, this analysis prioritizes the TFWP, followed by the IMP for work purposes, for study purposes, for humanitarian and compassionate reasons, and for permanent residence applicants in Canada.

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