

**Bridging the Gap:  
Policies to Address the Effects of Temporary Foreign  
Workers on Youth Unemployment in  
British Columbia**

by  
**Matthew Mayers**

B.A. (History), University of Winnipeg

Project Submitted in Partial Fulfillment of the  
Requirements for the Degree of  
Master of Arts

in the  
School of Public Policy Program  
Faculty of Arts and Social Sciences

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SIMON FRASER UNIVERSITY  
Spring 2018

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# Approval

**Name:** Matthew Mayers  
**Degree:** Master of Public Policy  
**Title:** Bridging the Gap: Policies to Address the Effects of Temporary Foreign Workers on Youth Employment in British Columbia

**Examining Committee:** **Chair:** Nancy Olewiler  
Professor, School of Public Policy, SFU

**Dominique Gross**  
Senior Supervisor  
Professor

---

**Kora DeBeck**  
Supervisor  
Assistant Professor

---

**Joshua Gordon**  
Internal Examiner  
Assistant Professor

---

**Date Defended/Approved:** April 16, 2018

## Ethics Statement

The author, whose name appears on the title page of this work, has obtained, for the research described in this work, either:

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## **Abstract**

Temporary Foreign Workers are increasingly being used in low-skilled positions in British Columbia. At the same time, Canadian youth are facing unemployment rates more than twice the adult Canadian workforce. While studies have addressed labour market impacts of Temporary Foreign workers in specific industries and regions, none have addressed the impacts on youth. This capstone addresses investigates the adverse effects that Temporary Foreign Workers have on youth unemployment, and provides policy options that Employment and Social Development Canada can use to decrease the unemployment gap. This capstone uses case studies and interviews to formulate and assess the policy options, concluding that a youth job placement program is the recommended option.

**Keywords:** Temporary Foreign Workers; Youth; Unemployment; Labour; Labour migration; British Columbia

## **Dedication**

To my wife (and now permanent resident) Karen Jantzen for her edits, patience, support, level-headedness, and love.

## **Acknowledgements**

I would like to thank Dominique Gross for her continual guidance, editorial suggestions, and encouragement over the past year. I would also like to thank all of my interview participants for their knowledge and insights.

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## List of Acronyms

BC	British Columbia
CBSA	Canada Border Services Agency
EEA	European Economic Area
ESDC	Employment and Social Development Canada
IRCC	Immigration, Refugees and Citizenship Canada
LMIA	Labour Market Impact Assessment
LMO	Labour Market Opinion
SAWP	Seasonal Agricultural Worker Program
TFW	Temporary Foreign Workers
TFWP	Temporary Foreign Worker Program
UBC	University of British Columbia
UFCW	United Food and Commercial Workers Canada

## Glossary

Adult	Adult, unless otherwise specified, constitutes people ages 25 and older
Canadian	Canadian refers to Canadian citizens or permanent residents
Germany	Refers to the Federal Republic of Germany, and excludes the German Democratic Republic
Guest Workers	Within this report a guest worker refers to a person with temporary permission to work in another European country, such as Germany, Switzerland, or the United Kingdom.
Temporary Foreign Worker	Within this report a temporary foreign worker refers to a person entering Canada under the temporary foreign worker program
Temporary Foreign Worker Program	Refers to the Canadian federal program allowing employers to hire foreign nationals to fill temporary labour shortages when qualified Canadian citizens or permanent residents are not available
Youth	Youth, unless otherwise specified, constitutes young adults ages 18-24

# Chapter 1. Introduction

The Temporary Foreign Worker Program (TFWP) began in 1973, for the purpose of bringing in high-skilled workers, specifically specialist physicians and professors. In 2002, the federal government added a low-skilled workers stream to the TFWP. This project became so popular it subsequently dominated the temporary foreign workforce.

Some policy changes were made to the program in 2014, following a surge in media attention and complaints. For example, In April, RBC came under criticism for laying off dozens of I.T workers and replacing them with TFWs. Also that year, three McDonald's restaurants in Victoria were alleged to have abused the program and were banned from using TFWs. Many of the complaints came from workers at other restaurants and businesses who said they had been losing hours or being laid off because of foreign workers. There were some policy changes as a result of this policy window, such as a government disclosed 'blacklist' of employers who had been fined for violating TFW policies and more inspections. In some situations the program makes it easier to hire a TFW than to hire an otherwise available domestic worker. There are few safeguards and supports for TFWs, resulting in rampant abuse, further devaluing domestic labour in comparison. The rationale for this papers' specific focus of youth is that there is a gap in unemployment between the unemployment rate of youth and adults, which has not substantially decreased since the early 1990s, and has increased since 2010 (Office of the Auditor General of Canada, 2017).

The mandate of the TFWP is to fill specific labour shortages in jobs and places where qualified Canadian workers are not available, however TFWs have negatively impacted groups facing additional barriers to employment (Elgersma, 2014; Gross and Schmitt, 2012, Schrier, 2014). If the TFWP were fulfilling its mandate, the number of TFWs would be negatively correlated with unemployment rates. However, contrary to expectations, the onset of the 2008 financial crisis did not result in a significant decrease in TFWs. Since then, the gap in unemployment between youth and adults has remained high, in spite of a recovering economy.

This paper is written with a public policy lens focus, first understanding the TFWP and youth unemployment in BC, then developing and assessing policy options to maximize the number of jobs made accessible to youth, while minimizing other adverse

economic impacts. This capstone addresses further changes that can be made to the TFWP to assist meeting its mandate and mitigating the problem of youth unemployment.

The next section outlines main features of Canada's TFWP, including a brief history of the program in Canada, the regulatory context in BC, as well as a criticism of the TFWP and the labour market. The third section addresses trends in youth unemployment, including a labour market overview, financial security, and employment security. The fourth section identifies the policy problem and key stakeholders. The fifth section describes the case study methodology utilized and the analysis framework. The sixth section analyzes the three case studies, being Germany, the United Kingdom, and Switzerland. Key characteristics are identified from the case studies, which are corroborated by interviews in chapter 7 to produce five key findings that should be considered in a BC context. From these findings, three policy options are identified; government verification of LMIA's, restricting TFWs in industries commonly employed by youth, and increasing the wages of low-skilled TFWs by 15%. These options are assessed through societal and government objectives. From this assessment I recommend increasing the wages of low-skilled TFWs.

## **Chapter 2. Temporary Foreign Workers in Canada**

Guest worker programs allow foreign workers to temporarily reside in the host country until domestic workers become available. This chapter will begin with a description of the TFWP in Canada, including a brief history and regulatory context. It is followed by an explanation of the application process, rules, and monitoring process in BC, as well as recent policy changes. It concludes with criticisms of the TFWP.

### **2.1. The Federal Temporary Foreign Worker Program**

There are two streams of TFWs, through the TFWP and the International Mobility Program (IMP). The TFWP lets employers hire foreign workers with the intended goal of filling temporary labour and skill shortages. The IMP lets employers hire temporary workers with different goals of broader economic, cultural, or other competitive advantages for Canada, such as reciprocal benefits enjoyed by Canadians and permanent residents. This report will focus on the TFWP, as its uptake has increased significantly and its goal of reducing temporary labour shortages is more quantifiable.

The TFWP is a federal program comprised of four components, with varying aspects of each component administered by three federal government departments, Employment and Social Development Canada (ESDC), Immigration, Refugees and Citizenship Canada (IRCC), and Canada Border Service Agency (CBSA). The first department to assess TFWs is ESDC. They assess whether the hiring of a foreign worker would result in a positive, negative, or neutral impact on the labour market to allow or not allow hiring TFWs. IRCC is the second department to be involved, managing and assessing visa admissibility requirements for the proposed foreign person. Thirdly, CBSA processes applications at the Canadian border when the TFW enters Canada. Within the TFWP, there are four categories, including higher-skilled occupations, lower-skilled occupations, the primary agricultural stream, and the live-in caregiver program. High-skilled occupations typically require post-secondary education and include professional and technical jobs, as well as skilled trades. Low-skilled occupations typically require high school completion and/or on-the-job training, and include intermediate and labour jobs. Together, these four categories constitute about one third of total TFWs, with the other two thirds coming through the IMP (ESDC, 2014).

The federal government defines a TFW as a foreign worker hired through the TFWP to fill short term labour and skills shortages when Canadians or permanent residents are not available. A Labour Market Impact Assessment (LMIA), previously called a Labour Market Opinion (LMO), and work permit are needed to hire a TFW through this program. A LMIA is a process through which ESDC examines labour market information for the region and the occupation to assess the labour market impact of hiring a TFW. A work permit is an official document issued by an immigration officer that allows a non-Canadian to work in Canada. TFWs are then engaged in work activity with the appropriate documentation and remain in Canada for a limited period (Elgersma, 2014).

The policy goal with TFWs is not integration, as they come to fill short-term job vacancies then return to their country of origin (IRCC, 2012). As a result, TFWs are not eligible for federally funded settlement services. The government expects TFWs to have the required educational, occupational, and language skills for their position. While it is important that the TFW settle for the time that they are in Canada, the government also expects employers to take an active role in assisting the TFW (Cundal and Seaman, 2012).

Employers wanting to hire a TFW must first fill-out a LMIA, as required by ESDC. A LMIA is a report with a list of questions and constraints of the probable impact that the employment of a TFW will have on the Canadian labour market. Additionally, an LMIA application costs an employer \$1000, and is not refunded if rejected. For a LMIA to be approved, it is assessed using several criteria including a genuine job offer, wage rate, and working conditions comparable to those offered to resident workers, attempts to hire in the local labour market, evidence of a labour shortage, evidence that the employment of a TFW will result in job creation or retention for Canadian workers, and that the foreign skillset and knowledge of the TFW will transfer to the Canadian market. Depending on the particular occupation, sector, and job offer, some or all of these conditions need to be met. There are also certain contexts in which ESDC rejects the LMIA even if the criteria are met, such as if there is a labour dispute or if a union and employer are engaged in collective bargaining (IRCC, 2017).

While Canada has a long history of immigration, in recent years it has had the highest reliance on TFWs to supply labour to Canadian firms since the inception of the



program. Canada's TFWP began in 1973 for the purpose of bringing in high-skilled workers, specifically specialist physicians and professors (Pfeffer, 2013). In 1974, the Canadian and Mexican governments signed a bilateral Seasonal Agricultural Workers Program (SAWP) agreement. This agreement was based off the American Bracero Program, which came to an end in 1964 due to opposition from labour and welfare groups. In 2002, the federal government began a pilot project adding a new category of low-skilled workers. This project became so popular it subsequently dominated the temporary foreign workforce, with the main categories in food service and preparation, construction, light-duty cleaners, and administration workers including information technology. In the past two decades, there has been an increasing shift towards temporary sources of foreign labour supply. The program has grown at an average rate of 13% each year since 2002. In 2015, the total number of authorized TFWs was 310,000 (Elgersma, 2014). While the majority of TFWs leave within two years of arrival, the tendency to stay longer has increased among arrivals over the past two decades. Of the approximately 264,000 TFWs admitted to Canada between 1995 and 1999, nearly 15% were in the country after five years. Of the approximately 500,000 workers who came between 2005 and 2009, 35% remained for at least five years (Prokopenko, 2018).

Recent policy changes were made to the TFWP in 2014, following a surge in media attention and complaints. In April, RBC came under criticism for laying off dozens of information technology workers and replacing them with TFWs. Also that year, three McDonald's restaurants in Victoria were alleged to have abused the program and were banned from using TFWs. Many of the complaints came from workers at other restaurants and businesses who said they had been losing hours or being laid off because of foreign workers. As part of the 2014 reforms, one measure reduced the length of time that TFWs in low-wage occupations could remain in Canada to one year, previously being a maximum of two years. Another measure capped the number of low-wage TFWs that an employer could hire in proportion to the size of the workforce. Prior, there were no limits on this, and certain sectors came to rely heavily on low-wage TFWs, including accommodation and food services, as well as caregivers, both specifically in BC. This measure was originally to be set at 30%, and then reduced to 10% by 2016. However, complaints from employers resulted in caps being frozen at 20% for employers who have hired a TFW in a low-wage position prior to June 2014. Another measure was

that ESDC was to only consider applications to hire TFWs in accommodation and food services and retail trade sectors where unemployment was lower than 6%. As of April 2017, the unemployment rates were above 6% in all regions of BC except Vancouver Island and Coast, and Lower Mainland-Southwest. The government also disclosed a 'blacklist' of employers who had been fined for violating TFW policies, as well as the amount of their fine. Finally, the government increased the number and scope of inspections to one in four employers, instituting larger fines of up to \$100,000 for penalties (Fekete, 2014). In all, these measures appear to have helped reduce the number of TFWs in Canada; however, it is difficult to know whether these changes could be attributed to the 2014 reforms or the economic downturn.

In 2016, the Standing Committee on Human Resources, Skills, and Social Development and the Status of Persons with Disabilities (HUMA) examined the program again. The Government Response to HUMA was tabled in the House of Commons in early 2017. Overall, HUMA found that ESDC implemented measures that helped slow the increase in TFWs; however ESDC did not do enough to ensure that employers hired TFWs only as a last resort. ESDC relied largely on the information provided by employers to determine whether the need for TFWs was justified, and did not consider sufficient labour market information when assessing whether jobs could be filled by Canadians (Office of the Auditor General of Canada, 2017). Relating to low-skilled workers, HUMA found that ESDC inadequately questioned whether TFWs were filling real labour shortages, as there were indications unemployed Canadians may have been available for work. As a result, the cumulative duration rule, also known as the 'four-in, four-out' was removed, which limited work for some TFWs to four years before becoming ineligible to work in Canada for the next four years. It was replaced with one-year permits, which could be renewed annually. In efforts to try and ensure Canadians have first access to job opportunities, low-wage employers in some sectors became required to advertise to more than one and up to four under-represented groups in the workforce, with youth being one of the under-represented groups (Hixon, 2017).

In Spring of 2017, the Office of the Auditor General of Canada released a report assessing the TFWP within the purview of ESDC, with a focus on the 2014 reforms. Similar to previous reports, it was found that ESDC continued to approve applicants for TFWs even when employers had not demonstrated reasonable efforts to train existing employees or hire unemployed Canadians, especially those from under-represented

groups such as youth. In cases where the information provided by employers warranted further questioning, program officers did not sufficiently question employers in 40% of these instances. For low-wage positions, employers should demonstrate that they had tried to recruit from under-represented groups. Of these files, 65% of employers did not make adequate efforts to appeal to these groups. Lastly, ESDC made limited use of its expanded powers to identify employers that did not comply with program requirements. There were negligible consequences for non-compliance. For example, between 2015 and 2017, only one employer was listed on the online ‘blacklist’, and ESDC had not imposed any monetary penalties (Auditor General of Canada, 2017).

## 2.2. Temporary Foreign Workers in British Columbia

British Columbia and all other provinces play a limited role in TFW selection through agreements for the Provincial Nominee Program, which allows the province to nominate newcomers to suit their regional interests. British Columbia legislation and standards also protect TFWs in matters of employment, labour, education, housing, and health care.

There are regional differences of the distribution of low-skilled TFWs in BC. As shown in Table 2.1, in 2016, over half of BC’s 20,000 approved LMO positions were in Vancouver. The primary country of origin of TFWs is Mexico, followed by the Philippines. Together, these countries contribute over half of all TFWs.

**Table 1. Regional Distribution of TFWs in BC**

Location of Employment	Number
Vancouver	14,010
Kelowna	1550
Abbotsford	1400
Victoria	990
Fort Nelson	745

As is the trend in the broader Canadian context, the number of TFWs has been increasing in BC. In 2010, 182,000 TFWs entered Canada, compared to 111,000 in 2002. While there is data on the number of LMIAAs accepted annually, there is inadequate information on the number of TFWs residing in BC, as according to the Labour Force Survey “there are no questions in the Labour Force Survey that ask respondents whether they are temporary foreign workers”; however, there are an estimated 500,000 TFWs working in Canada throughout the year (Labour Force Survey,

2017). BC takes a disproportionately large share, taking in 26% of national TFWs, while comprising only 13% of the national population, meaning impacts of TFWs on unemployment will be exacerbated in the province.

Canadians are split on favourability of the TFWP, with 30% in favour, 38% opposed, and 32% neutral, British Columbians have a different view. Based on a 2014 Angus Reid survey, support for the TFWP was at 20% in BC, the lowest of any province. There is also an admitted lack of information about the program among Canadians, 48% of whom say that they have either heard of the program and do not know about it, or have never heard of the program (Angus Reid, 2014). Over 50% of respondents believed TFWs negatively impacted their personal wages and resulted in fewer personal job prospects (Angus Reid, 2014).

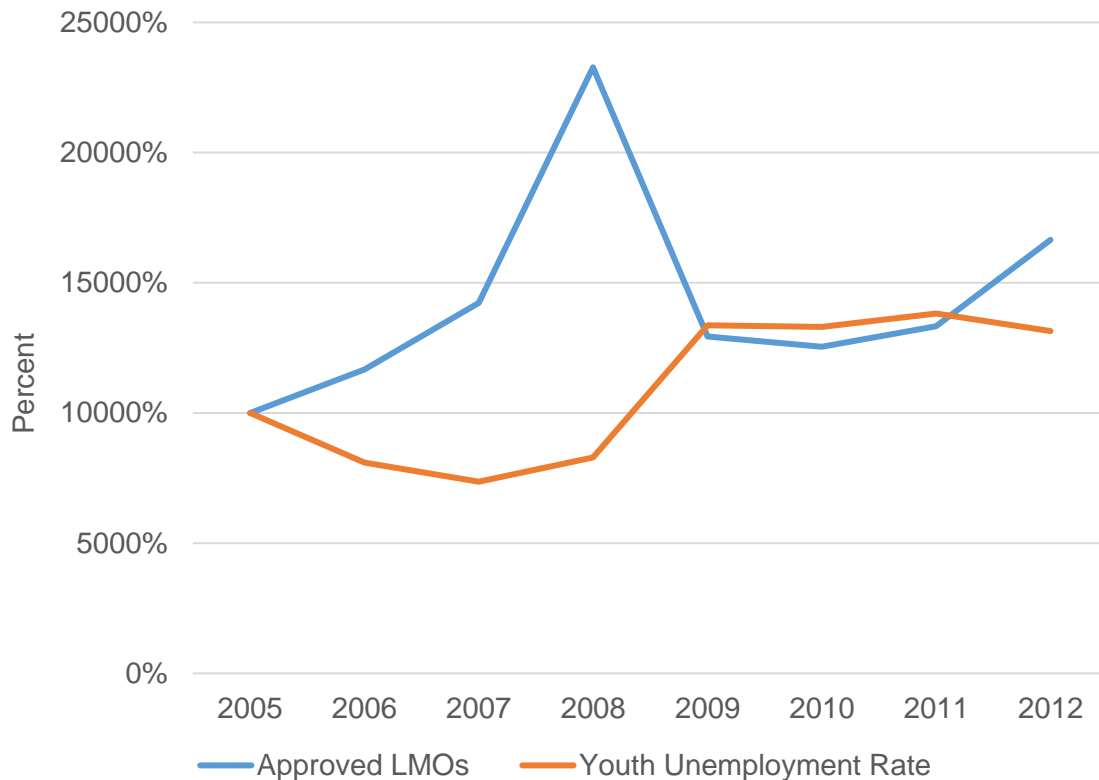
### **2.3. Criticisms of the Temporary Foreign Worker Program**

The main criticism of the TFWP is its effects on the labour market. The impact of TFWs on the labour market is complex, having a moderating effect on wage growth, while also having a stabilizing effect on employment in times of fast growth. In economic models without TFWs, when a regional labour shortage occurs, the result is an increase in wages, in turn prompting inter-regional migration or increased regional labour participation. With the introduction of TFWs, the wage adjustment process may be diminished. Employed individuals see their wages stagnate with weaker future financial prospects comparable to a situation without TFWs. Similarly, employed workers may see their wages stagnate during periods of significant economic growth as a result of TFWs (Gross and Schmitt, 2012). Assessing the net cost of TFWs from limiting wages needs to be weighed against potential benefit that TFWs may also have on the market. For example, the ability to hire TFWs may prevent projects from being cancelled or delayed, which would result in a loss of labour for the non-TFWs who would otherwise be employed. The overall net benefit is likely dependent on the overall economic context.

If the TFW Program were to be used as it was intended, to find employees for hard to fill positions primarily in high-skill and professional categories, it would be expected that during economic recessions, as unemployment rises, the number of TFWs arriving would drop-off. BC and Western Canada's boom during the 2000s did result in labour shortages in certain industries, such as construction; however, when the global

recession hit in 2008, the expected drop-off in TFWs never occurred. Figure 1 shows that throughout the recession, the number of approved LMOs in BC remained higher than pre-recession 2006 levels. This suggests that although the number of LMOs did decrease somewhat, the TFWP does not respond well to economic recessions sufficiently to overcome rises in unemployment. Youth unemployment rose significantly during the 2009 to 2010 period, yet over 20,000 LMOs continued to be approved each year. It is important to note that this represents new TFWs admitted, and while there is no data available on precise numbers of resident TFWs in BC each year, the overall number of residents continuously increased year-over-year throughout and since the recession.

**Figure 1. New TFWs and Youth Unemployment (2005=100)**



Source: Statistics Canada Table 282-0001 (2018)

## Chapter 3. Youth Unemployment

This section addresses youth unemployment, which in 2017 was at 8.5% in BC, constituting about 46,000 individuals. It discusses trends in unemployment, including a labour market overview, financial security, and employment security.

### 3.1. Labour Market Overview

There are a number of differences in labour force characteristics between youth and the remainder of working-age population. Unemployment rates are considerably higher for youth compared to the remaining workforce. Nationally, youth workforce participation has dropped significantly through the 1990s, and more in BC than any other province. While increased school enrolment played a role in this, labour market conditions were also a factor (Beaudry, et al, 2000). The lower participation rates continue to persist today. BC has below average labour force participation rates, 65%, compared to the national average of 67%.

There are many employment variations within youth, which reflect trends in the adult population. Among youth, males are more likely than females to be unemployed, and this difference in gender unemployment is exacerbated during economic downturns (Schrier, 2014). Within BC, Aboriginal youth have higher unemployment rates and lower levels of educational attainment. Immigrant youth, which does not include TFWs, have lower unemployment rates and higher levels of educational attainment. There is considerable variation among different youth age brackets as well. 74% of youth ages 20 to 24 participate in the labour force, compared to 84% of young adults ages 25 to 29. For other adults, labour force participation actually exceeds those ages 30 to 64, which is at 79% labour participation. There are also regional variations in labour force participation among youth. In 2012, participation ranged from 82% in the Northeast region, to a low of 67% in Mainland/Southwest. Youth are also more likely to be employed part-time, and less likely to be self-employed. Regional differences occur because resource sector industries are prominent outside of urban centres (Schrier, 2014).

Having a higher level of education significantly reduces the probability of youth being unemployed. Compared with youth with a high school diploma, those with a university degree are less than two-thirds as likely to be unemployed. The pursuit of

higher education is positively associated with lower unemployment rates among youth (Hango and de Broucker, 2007).

### **3.2. Financial Security and Temporary Foreign Workers**

The occupational groups that youth are most likely to work in relative to the rest of the population are retail and food services. These industries all offer below-average wages, and so the wages of youth tend to be lower than others. Youth are additionally more likely to be employed in construction than other British Columbians. Wages tend to rise as employed persons gain experience and move into high positions. Therefore, it is unsurprising that youth make less money than older British Columbians. Youth make an average of \$560 per week, compared to adult Canadians earning \$969 per week. The average wage across all industries in BC was \$23.58 in 2012 (Schrier, 2014). This is compared with \$13.04 in food services, and \$16.69 in the retail sector (Yu, 2017).

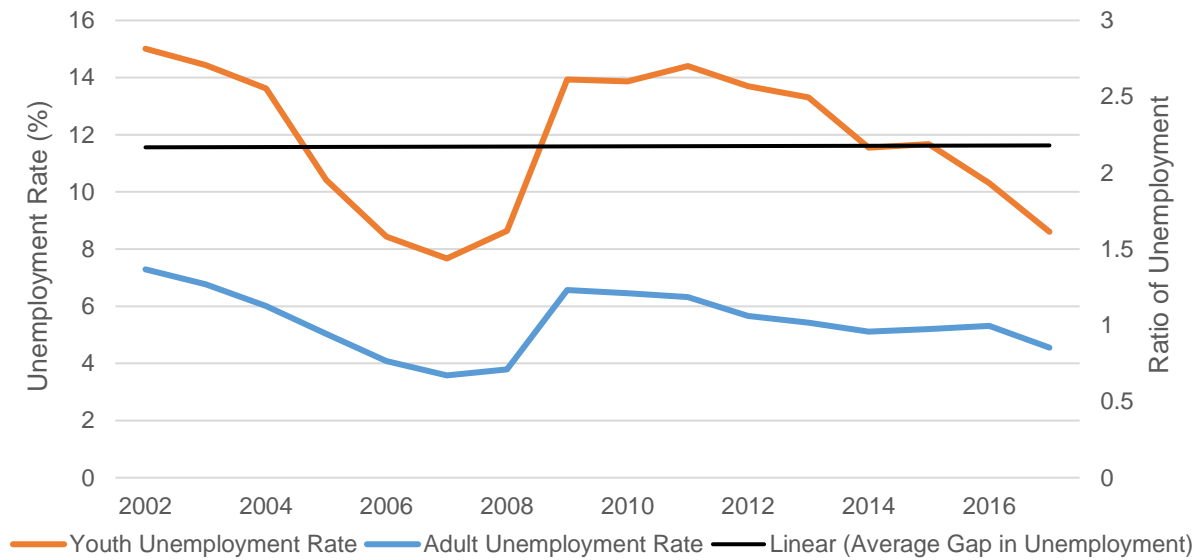
These occupational groups where youth are more likely to work relative to the rest of the population are areas of high competition for jobs with TFWs. Of the 750 BC companies that received approval on accelerated LMOs in 2012, many were childcare centres, clothing stores, hair salons, hotels, and pubs, which all traditionally provide employment for youth. Harvesting labourers is the occupational group with the highest number of TFWs, followed by food service workers. Over the last decade, the TFW Program has become increasingly used by employers to fill less-skilled, low-wage positions commonly held by youth. In 2005, 2.9% of the approved LMOs in BC were in the low-skill category. This proportion has risen every subsequent year, and in 2012 was at 25% (BC Federation of Labour, 2014).

### **3.3. Employment Security**

The gap between the unemployment rate of youths and adults has not substantially decreased since the early 1990s, and has increased slightly since 2010. In 2012, the youth unemployment rate was 2.4 times that of workers ages 25 to 54, which is the largest gap since 1977, with a gap at 8.3% (Bernard, 2013). The widening gap exists because the level of employment among youth has still not returned to its pre-recession level.

Figure 2 shows the unemployment rate of youth ages 15 to 24 compared to the unemployment rate of adults 25 and older in British Columbia. The average gap in unemployment, measured by the ratio of youth unemployment rate to adult unemployment rate, has stayed constant throughout this time period at about 2.2.

**Figure 2. Unemployment Rate between Youth and Adults in BC, 2002-2017**



Source: Statistics Canada Table 282-0002



## Chapter 4. Policy Problem

The policy problem I examine is that there is a gap in unemployment between youth and adults in British Columbia, which is exacerbated by TFWs. The industries most likely to be filled by TFWs are traditionally entry-level jobs for Canadian youth. This could result in youth facing greater barriers in becoming established in the labour market and acquiring experience to move into higher-skilled occupations. Employers may see an opportunity to increase profit by either advertising jobs below a competitive wage within the industry or by being overly critical of Canadian applicants, allowing the employers to gain permission to hire a TFW (Lenard and Straehle, 2012).

There is evidence that the TFW program nudges the unemployment rate higher in some sectors of the economy and some parts of the country, including BC. The 2017 auditor general report on the TFWP determined that reforms were needed because employers were not using the program as a last resort to fill jobs when qualified Canadians were unavailable, and that there is a growing practice of employers building business models on the TFWP (Office of the Auditor General of Canada, 2017). Additionally, ESDC's regional offices failed to adequately identify and act upon employers that were not following the requirements, conducting few on-site and face-to-face interviews with employers, making the LMIA a bureaucratic obstacle more so than an instrument to ensure that employers prioritize hiring domestic workers (Office of the Auditor General of Canada, 2017). Further, as the LMIA focuses solely on local markets, the TFWP limits employers' incentives to offer domestic workers from other areas of the province to migrate in order to fill job vacancies (Groos and Schmitt, 2012). The 2017 auditor general report found that ESDC continues to approve applicants for TFWs even when employers have not demonstrated reasonable efforts to hire underemployed Canadians, highlighting youth.

The primary stakeholders of this policy question are unemployed British Columbian youth. Groups facing high unemployment rates are impacted more significantly than other groups. This includes Aboriginal groups, who believe there should be more effort on the part of the government to train and recruit Aboriginals (Fontaine, 2008). Another group facing especially high unemployment is youth with lower educational attainment. From 2000-2012, unemployment rates among youth with

only some high school or high school education averaged 4.8% higher than youth with a post-secondary degree or diploma. Other groups facing high unemployment are persons with disabilities, as well as recent immigrants.

A key group of secondary stakeholders is BC employers of TFWs. Most issues in the media relating to TFWs have discussed the mistreatment of TFWs by employers. Employers of TFWs are important stakeholders, as their economic productivity, or even their businesses or projects may be stalled or shut down if there is a significant policy shift relating to TFWs, which in turn can affect youth unemployment.

Another group of secondary stakeholders is unions. Some unions, such as United Food and Commercial Workers Canada (UFCW), represents TFWs in agriculture, food-processing, retail, and service sectors, where TFWs are most heavily concentrated. UFCW comes in direct contact with more than 50,000 Canadian annually across Canada (Lehmann, 2017). Other unions supporting TFWs in BC include the International Brotherhood of Electrical Workers, the BC and Yukon Territory Building and Construction Trades Council, and the Construction and Specialized Workers' Union. Unions play a significant role in monitoring the working conditions of TFWs in BC. Unions have an interest in ensuring that TFWs are paid at comparable rates to domestic workers, either because the union represents TFWs, or to avoid undermining their other members' wages.

TFWs themselves are indirect stakeholders. Many leave their country of origin and come to Canada because of their own region's poor labour market and a high social opportunity cost of labour in temporary migration to Canada. They come to Canada to improve their overall economic security. There is evidence that TFWs in many industries, such as the Live-in Caregiver Program, are paid below the competitive wage rate, in spite of legislation to prevent this. The Canadian Centre of Policy Alternatives has estimated that employers pay low-skilled TFWs approximately 15% less than the average rate of pay for those occupations (Flecker, 2012). Some caregivers earn less than minimum wage when unpaid overtime is factored in. A 2003 report showed that West Indian caregivers received an hourly wage of \$4.53, and Filipino caregivers received \$4.73/hour (Stasiulis and Bakan, 2003).

## **Chapter 5. Methodology**

To evaluate the problem, I use a case study analysis with three cases, Germany, Switzerland, and the United Kingdom (UK). Each of the case studies will not be considered at a single point in time, as an important attribute of each case study is their dynamic nature, adapting to changing circumstances in unemployment and migration trends. Assessing each case studies' policies over time allows for a more robust understanding of their differing successful characteristics. Analysis is undertaken through several means simultaneously, including statistics records and a literature review. The results of this methodology are confirmed through a second methodology based on semi-structured expert interviews, which are explained in greater detail in chapter 7.

### **5.1. Case Studies**

The primary methodology used is the case study comparative method. In each case study, I examine qualitative and quantitative information. The information on European guest worker programs is gathered from academic articles and books, government documents, and statistical information. I begin by examining each jurisdiction based on characteristics identified to have relevance to the policy problem. Characteristics that are common among all three case studies are identified as key findings, and they are assessed according to what extent they are already utilized in a Canadian context.

This case study comparative method on three European countries is a suitable choice for several reasons. Firstly, Canada's temporary foreign worker is based on a Western European model of TFW programs of the 1950s and 1960s (Gross and Schmitt, 2012). The UK and Switzerland, alongside several other Western European countries, pioneered the short term, low-skilled temporary labour requirement model in the 1940s, while Germany came up with their own program in the following decade (Chin, 2007). Labour market deterioration from the 1973 OPEC Crisis, as well as domestic political pressures highlighted negative impacts of these programs, which were subsequently restructured. The UK, Germany, and Switzerland all limited the programs, then redesigned them by the 1990s with different characteristics. As a result, each guest

worker program in the UK, Germany, and Switzerland began similarly to Canada's TFWP, and developed new approaches to ensure increased domestic employment would not be adversely impacted. However, Canada's program has not been restructured since its inception, except to expand it, thus failing to respond to economic changes in the same way. These countries also serve as good case studies because they had a large intake of guest workers. From 1945-1975, over half of all migrants to Europe went to three countries: France, Switzerland, and Germany. By 1975, eighty percent of foreign labour was concentrated in Germany, Switzerland, France, and the UK, suggesting that these programs were prominent during the time period in study (Castles, 2006). Additionally, each of these countries' guest worker programs focused on the objective of filling temporary employment gaps, with minimal routes to permanent settlement. All of these countries also have sociopolitical similarities to Canada, being of high social, economic, industrial, and technological development, as well as having common democratic and federal political systems. All countries also have faced similar policy problems relating to temporary foreign workers and domestic unemployment and had to reconcile these issues. This selection of states reflects a 'most similar' case design, to hold the aforementioned sociopolitical factors as relative constants. Each of these countries have demonstrated success in their temporary foreign worker programs and their impact on unemployment. Lastly, all three countries are often cited as model examples within the literature (Castles, 2006; Honekopp, 1997; Kirkhope, 2004; Martin, 2004; Piguet, 2000; Piore, 1979).

While other countries, such as Australia or New Zealand have more contemporary programs than the chosen case studies, as well as a similar political and economic situation to Canada's, their programs are not used as case studies for several reasons. Firstly, both Australia and New Zealand faced similar issues to Canada in that during rises in unemployment, the number of incoming guest workers did not significantly decrease, which is an indication that the programs are not fulfilling their mandate. Secondly, both Australia's and New Zealand's programs have undergone significant criticism, and are themselves changing policies to better address adverse impacts to domestic unemployment. For example, in 2017 the Australian government vowed to replace the temporary work visa (Karp, 2017). As such, there is no data available on whether these recent changes have been successfully implemented and achieve their goals.

Table 2 shows a comparison several relevant measurements of the case studies and BC. Germany's youth unemployment continues to be the lowest in Europe at only 7.8%. While the average ratio of youth to adult unemployment in Switzerland was higher than BC, the absolute unemployment rate for both youth and adults was substantially lower (Martin, 2004).

**Table 2. Comparison of Case Studies**

	<b>BC</b>	<b>Germany</b>	<b>Switzerland</b>	<b>UK</b>
Inception of guest worker program	1973	1955	1970	1950
Average percentage of foreign workers in total workforce in 2017	19.9%	6.6%	16.0%	7.8%
Average unemployment rate	8.4% (2002-2012)	1.8% (1991-2017)	Less than 1% (1989-2017)	6.8% (1983-1991)
Youth to Adult unemployment gap	2.2 (2002-2012)	1.7 (1991-2017)	2.3 (1989-2017)	1.7 (1983-1991)

Sources: OECD 2017, Statistics Canada (2017), Castles, 2006.

## 5.2. Analysis Framework

There are three principles that are considered in the evaluation framework: recruitment, residency, and sanctions. Each principle represents a different stage at which policy intervention can take place. The characteristics of each principle are based on two sources. The first is a literature review. Characteristics that are reoccurring by authors of articles or books relating to guest workers and unemployment are included. The second is characteristics cited by interviewees as important to consider in a Canadian context. The characteristics are intended to be dichotomous with a '✓' indicating the case studies' positive inclusion of the associated measurement question. Each of these principles and their characteristics as shown in Table 3 are described below.

**Table 3. Summary of Case Study Evaluation Framework**

<b>Principles</b>	<b>Characteristic</b>	<b>Measure</b>
Recruitment	Length of work permit	Is the maximum length of work permits set at less than one-year?
	Work permit renewal potential	Are there restrictions on temporary workers returning to their country of origin for at least half of the year?
	Quotas on low-skilled guest workers	Are there sector based quotas specifically for low-skilled guest workers?
	Reduction in temporary workers in response to rise in unemployment	Are temporary workers restricted during periods of rise in unemployment?
	Regional limitations	Does temporary worker recruitment cease in regions of higher unemployment?
	Government-conducted labour market tests	Does the government or the employer collect information on labour shortages?
	Youth-specific labour market tests	Are there youth-specific requirements within labour market tests?
Residency	Absence of labour market integration	Is there a lack of labour market integration, such as government funded language classes or job training for temporary workers?
	Facilitation of migrants returning to country of origin	Are there programs to facilitate returning migrants to their country of origin?
	Family reunion	Is family reunification allowed?
	Accessibility to the social security system	Are TFWs kept removed from the social security system of their host country?
Sanctions	Penalties to employers	Are there significant penalties to employers that are utilized by the government when hiring standards are not met?
	Penalties to country of origin	Are there penalties to the country of origin when agreements are not met?
	Penalties to guest workers	Are there significant penalties to guest workers who illegally overstay their contract?

Recruitment is the first principle, which assesses the need for and limitations on guest workers prior to receiving a temporary work visa. Increased limitations are intended to ensure the ‘temporary’ nature of guest workers. The first limitation is on the maximum length of work permit. When guest workers have a lower maximum allotted time in the host country, they are less likely to become integrated or dependent on their work for the long term. They are intended to do short-term or seasonal work, which although varying in definition, is less than one-year in length (Major, 2017). Similarly, limiting the renewal rate forces guest workers to return to their country of origin rather than continuously renewing their work permit. Low-skilled workers are both more likely to

stay illegally in their host country and more likely to occupy positions commonly held by youth, so quotas on low-skilled guest workers is a characteristic to allow for increased government control (Library of Congress, 2017). Regional limitations account for variances in unemployment within a region. Government conducted labour market tests increase government information, allowing more accurate portrayals of the labour market, and also reducing non-compliance of employers who may otherwise be incentivized to claim posting their position at a competitive wage. Youth-specific labour market tests ensure that job postings were intended to specifically target youth before guest worker applications are accepted. Lastly, reducing TFW input during a rise in unemployment allows the government to export surplus labour. This can be determined by looking at shifts in TFW intake during economic recessions causing a sharp rise in unemployment, such as the 1973 OPEC crisis or the 2008 financial crisis (Basu, 2004).

The second principle to be considered is residency, defined as policies applied while guest workers are residing in their host country to encourage them to return to their country of origin. The first of these characteristics is labour market integration. This refers to settlement services offered to guest workers. When guest workers are integrated into the social security system of the host country, they are less likely to return to their country of origin (Honekopp, 1997). A lack of labour market integration such as government-run language or culture classes further maintains a distinction of guest workers from permanent migrants. Reducing the entry of dependents and spouses both limits the likelihood of guest workers staying past their visa expiry date, and reduces further limiting positions that may otherwise be occupied by youth. Lastly, facilitation of migrants to leave the host country can occur via incentives such as job placement program agreements in the countries of origin.

The third principle is sanctions, which relates to either employers, the guest workers, or the country of origin. A characteristic is penalties to the employers who do not abide by TFWP regulations. This refers to severity of punishments such as fines to employers, as well as utilization of these punishments by the government. The second characteristic is punishments to the country of origin if too many TFWs continue to migrate, above the allotted limit. This generally involves reducing the allowed number of TFWs from that country. A third characteristic is penalties for guest workers who remain illegally after the expiration (Basu, 2004).

### 5.3. Limitations

One limitation on the policy problem of TFWs and youth unemployment is incomplete data. The 2017 Auditor General's report found that ESDC inadequately measured the results or impact of the program and did not have full information on what impact the program had on the labour market.

In regard to the case study methodology, looking at historic as opposed to contemporary case studies can limit the relevance. Similarly, while it is increasingly no longer the case, geographic proximity plays an important role in the development of specific migration flows, limiting the comparison Western European countries can have in a Canadian context. For example, the UK primarily recruited labour from Ireland, Germany from Poland, and Switzerland from Italy. This limitation in case study comparison does have the advantage of policy implementation in Canada. Having only one shared border with another nation, Canada is uniquely positioned to have a greater control over its temporary migration flows relative to other countries.

A limitation on the policy options is the limited impact a change in policy related to the TFWP can have on youth unemployment. While the TFWP has been identified as having adverse effects on youth unemployment, unemployment is a complex indicator influenced by many variables. Some variables, such as demand-deficient unemployment, are in part out of control of governments and are therefore not considered. Other variables within the purview of governments, such as the effects of minimum wage or government sponsored job placement programs, also can have significant impacts on unemployment rates for young people, but were beyond the scope of this study.

On interview methodology, it is impossible to remove the impact I had on the analysis and undertake these interviews in an objective way, so a reflexive analysis was done to reflect on these impacts. The product of the relationship between myself and the interviewees, and the resulting data reflected this relationship (Connolly, 2008). I inhabited several identity characteristics which likely had an impact on the interview process. Being Canadian-born puts me in an insider position. This likely had the influence of allowing the interviewees to talk more openly about differences between what they viewed as a Canadian national perspective compared to values in other



cultures. If I were a newcomer myself, the interviewees likely would have expressed more hesitation in focusing on a solely Canadian perspective. Being a young adult in BC also likely had an impact on the interviews as well. As I did not disclose my employment status to any of the interviews, as far as they were aware I am part of the target demographic in question; unemployed youth in BC. This may have allowed for greater sensitivity and empathy towards youth in BC, but may have also caused apprehension towards my project if it were viewed as self-serving.

## **Chapter 6. Case Study Analysis**

Each section covers the analysis of individual countries as cases. The section begins with a brief history of temporary migration in the country, including an overview of key policies. Then I compare strengths and weaknesses to determine what should be learned and applied to a current Canadian and BC context.

### **6.1. Germany**

In Germany's guest worker program, policy makers pursued three policy objectives that were based on learnings of past failed policy, explained below. They are premised on worker rotation, annual quotas, and the absence of labour market integration (Ellermann, 2015).

The postwar temporary worker policy began in 1955, when the government entered into a recruitment treaty with Italy. When the treaty was signed, all parties assumed that temporary worker recruitment would remain temporary and would be a reversible labour market measure. There was a lack of concern with integration, which led to two policy features. The first one was that relying on short-term seasonal worker permits, which would have imposed significant turnover costs. The second was that, for reasons of law and order, family reunification was tolerated. In the 1960s, changes in unemployment almost perfectly were almost completely explained by changes in guest worker admissions (Martin, 2006). By 1971, one-third of all workers brought in through the official recruitment commission were relatives of already employed workers. Two years later in 1973, the German foreign population had doubled to four million. After the oil crisis began in November of that year, the German cabinet decided, over the objections of employer associations, to stop all recruitment processes immediately. Guest workers in Germany were not returned home, but no new guest workers were brought in, and the bilateral agreement with Turkey ended. Thus the principle of non-immigration began and lasted until the 1990s. The non-immigration principle reflected a societal unwillingness to accept guest worker settlement, and generally had cross-partisan support (Ellermann, 2015).

In the 1990s, a new temporary worker policy was implemented. This shift in policy to reinstate a temporary worker program did not reflect a change in immigration

paradigm from the previous two decades. Combined with a construction boom following German unification, there became an increasing demand for low-skilled, project-tied labour. In 2004, Germany had bilateral agreements with twelve eastern European countries, as well as Turkey. Next is the description of the characteristics listed in Table 3.

Regarding recruitment, project-tied employment was premised on rotation. Unlike their previous system where annual permits could be renewed indefinitely, permits were tied to a project that was temporary in nature and could only be one-year in length, with a possibility of a one-year extension as long as there was little realized harm to the German economy. After the maximum of two-years, guest workers were expected to leave and be replaced by new recruits if employers still needed a worker to fill a vacant position (Gonzalez-Ferrer, 2007). Workers also could only re-enter Germany after they had first returned to their country of origin for the same length of time that they had previously worked in Germany. During a significant rise in unemployment in 1973, the government systematically rejected 100% of applications for new work permits. As a result, the foreign workforce declined by 500,000 people between 1973 and 1975 (Martin, 1980). This policy on the length of work permit ensured that returning workers could not accrue a legal claim to permanent residence. The program was further limited by annual per-country quotas, allowing for greater monitoring. Family unification was disallowed, which supported the strict time nature of employment and served to limit long-term settlement. Recruitment was stopped in any state that had unemployment rates over 30% of the national average (Honekopp, 1997). The German government conducts its own labour market tests instead of relying on employer information. Guest workers are admitted only after the German Employment Services makes a preadmission certification that migrants are needed. Employers request workers, and if local workers are not available, as determined by the German Employment Services, then either the employer or a foreign recruitment office with a bilateral agreement recruits guest workers (Martin, 2004). While Germany does not have youth-specific labour market tests, there are overall admissions quotas, as set by the federal government. When the quota was first established it was set at 95,000/year, and has since been lowered to 56,000/year since 1996 (Honekopp, 1997).

Residency was predicated on the principle of non-immigration, and resulted in a desire for settlement prevention to avoid a similar outcome to the 1970s. The

government and firms together funded migrants returning to their country of origin. For example, Volkswagen offered departure bonuses of up to \$5000 for migrants surrendering their work permits (Castles, 2006). Germany further facilitated migrants returning to their country of origin by developing bilateral job-creation assistance with Turkey. This was undertaken because a one-time cost of the bonus was less expensive than unemployment benefits. Guest workers were not integrated into German firms, the labour market, or the social insurance system. Since 1989, German firms have been able to subcontract part of a construction project to a foreign firm to provide labour. The foreign firms then post migrants to Germany for up to two years, and the German firm is to ensure that its subcontractor pays the prevailing wage to the guest workers. The guest workers are otherwise considered to be ongoing employees of their country of origin. Workers did not pay into German social insurance systems, and in turn could not receive benefits from it (Martin, 2004). They were denied access to government-subsidized integration measures in areas of housing or language training. Family reunification was generally discouraged in the 1960s, but bilateral treaties include the possibility of family reunion if adequate housing is provided. In 1974, this policy was deemed a failure, and since then, guest workers have been prevented from bringing their families. Spouses are only allowed residency permits if the workers have contracts longer than 12-months, excluding all guest workers. Dependents in turn are only granted admission if both parents have a German residence permit, limiting them as well (Palmer, 2013).

Sanctions relating to countries of origin took the form of bilateral treaties that imposed strict enforcement on worker and firm compliance. When large-scale noncompliance of bilateral treaties occurred among many Poles, the country sending the largest number of guest workers, the German government responded by placing a hold on Polish project-tied contracts to force the Polish government into contract compliance. The two federal governments re-engaged in negotiations, resulting in lowering the annual permit quotas from Poland. In addition, Germany imposed harsher sanctions for contract violations on the guest workers, and stopped all recruitment in regions where unemployment exceeds 10% (Honekopp, 1997). Regulation on sanctions for employers is largely self-regulated, depending on firms to report non-compliance when they deem other firms are undercutting wages.

## 6.2. United Kingdom

The UK's current migration philosophy can be traced back to 1891, whereby it was established that "no alien has the right to enter [The UK] except by leave of the Crown" (Library of Congress, 2017). The statutory regime governing immigration in the UK is the Immigration Act and the Immigration Rules made under it. In 1945, the UK government set up the European Voluntary Worker scheme, resulting in an upward trend in migrant inflows, lasting until the late 1960s. The Commonwealth Immigration Act of 1962 brought labour immigration from the Commonwealth under greater control of the government. Most migrants during this time period were unskilled and semiskilled workers, typically from refugee camps and later from Italy as well. Only single persons were eligible, and were not regarded as permanent residents. Until the late 1960s, there was a fluctuating trend of increasing guest workers. Most work permits went to unskilled and semi-skilled workers. Of these, 44% were involved in domestic service. This program became the basis of the temporary worker system of the 1970s (Castles, 1986). The UK model was premised on the principle of allowing persons in the Commonwealth to have more free movement, as well as to allow the UK to fill temporary labour shortages. The Trades Union Congress, as well as the miners' union, insisted on strict conditions, arguing that migrants could only be employed if there was no British labour available.

While immigration of the 1950s and 1960s was based on the idea of a one-off intake of permanent settlers, the subsequent model beginning in the 1970s was based on an ongoing flow of temporary migrants. In response to a stagnating economy, the 1971 Immigration Act tightened control of temporary migrants by putting the issue of work permits for Commonwealth citizens on the same basis as for non-EEC foreign nationals. The Act temporarily barred low-skilled and semi-skilled workers unless they had a specific job offer to come to and had a skill or qualification that was needed in industries such as agriculture, food processing, hotel and catering, and cleaning. The main policy objective of the state was to maximize economic growth by importing a workforce, while preventing that workforce from acquiring a sustained presence in Britain (Kundnani, 2007). Workers were no longer a long-term investment for employers, and so migrant workers were brought in as they were needed. The 'rotating door' labour market was a guest worker system of immigration, in which workers were expelled at the end of

their contract. There was a decline in temporary work permits issued, to a low of 15,000 annually in 1981 (Castles, 1986). In 1990 the amount of temporary work permits was increasing but remained low, at 30,000.

In 1991, the UK's employment-based immigration system was split into five tiers. Tier 3 was envisaged as the tier for unskilled migrants and intended to replace existing low-skilled temporary migration programmes. However, by the time the five-tier, points-based system came into operation in 2008, the UK government felt there was no need for any unskilled immigration from outside the European Economic Area (Library of Congress, 2017).

The UK is considered as a case study only until 2004, whereby it becomes difficult to assess the effectiveness of its guest worker program. In 2004, the UK was one of the only EU-15 countries to not impose any restrictions on migrant workers from eight eastern European countries that joined the EU that year. Because no restrictions were placed on the freedom of movement, the UK became a magnet for unskilled migrants. As a result, an additional 91,000 Poles and Czechs came within the first 12 months. 84% of these newcomers were young adults, and 80% made within 25% of minimum wage. This policy has led in part to a massive increase in youth unemployment, which rose drastically in subsequent years (Martin, 2004).

On recruitment characteristics, the UK severely limited temporary migration in the 1960s, as a result of a stagnating economy and rising unemployment. The labour force grew little as profit remained too low to induce investments in new and more productive plants. Economic growth was slow and sporadic, and wages in the long run increased at a slow rate. In 1962, the Commonwealth Immigration Act severely restricted immigration in response to these factors. The UK has concentrated on encouraging temporary migration of high-skilled workers, while opening only small "side-doors" for other guest workers (Castles, 2004). The UK had a sector-based scheme to admit low- and semi-skilled workers in food processing, agriculture, and hotels and catering industries. The annual quota was set at 10,000 guest workers in food and manufacturing, 5500 in agriculture, and 10,000 in hospitality. In the early 2000s, the number of permits was reduced to 6000 for food processing and 9000 for hotel and catering jobs to protect domestic employment, while it was increased in agriculture to 25,000. As there are several smaller guest worker programs, there is not national limitation on the overall

number of workers allowed to be brought in to fill temporary labour shortages. On renewal, guest workers can renew their work permit after a break of at least three months. The maximum length of work permit is variable depending on the sector. For example, under the seasonal agricultural workers scheme, workers can come for up to 6 months. For other schemes it is set between 6 and 12 months. Similarly, some programs required “resident labour market tests”, which had specific requirements for youth. Occupations would only be considered if they are within the “shortage occupation list”, which considers high rates of youth unemployment. If youth unemployment is high in the occupation, it is not eligible for hiring. However, these labour market tests are only in place for high-skilled workers from outside the European Economic Area, as well as religious worker programs (Visas and Immigration, 2017). The UK does not have regional limitations, nor government-conducted labour market tests (Castles, 2006).

Regarding residency, family unification was denied among guest workers, including both children and spouses. Denial of family unification was considered a key component of the guest worker system. According to a UK commission on migration, “family reunion immigration is the biggest source of low skilled workers that depress GDP per capita. Immigrants from all over the world who come in on work permits do pay their way. Immigrants who come in through family reunion are usually subsidized by the UK taxpayer” (Kirkhope, 2004). Only single persons were eligible for the program at the time of its inception, and rarely were the guest workers allowed to bring dependents with them. The UK did allow for integration into the social security system, including entitlements to education, health, and other social services. This occurred because most guest workers came from former colonies, so through Commonwealth privileges were deemed to have entitlements.

With Sanctions characteristics, the UK had significant sanctions on migrant workers. They were liable to deportation for misconduct or inadequate health standards that made them ineligible for work. Regulations on employers are largely focused on hiring illegal workers. The UK has had significant unscheduled inspections to ensure that all workers have visas. Fines can reach up to £20,000 per unauthorized worker. While there were no overall national quotas as they are sector-specific, there were quotas based on country of origin, whereby no single nationality was able to have more than 20% of the total work permits in a particular sector. This policy was established primarily to stop the entrance of Bangladeshis to fill hotel jobs (Martin, 2004).

### 6.3. Switzerland

The third case study to be analyzed is Switzerland's program. Switzerland has long had a tension between the need to accommodate the economy's labour force demands, while also avoiding the development of xenophobic feelings among some parts of the population. Switzerland was one of the first European countries to engage in guest worker recruitment, and in contrast to Germany, never stopped. Prior to the 1960s, there was no federal control of immigration. Any individual with a work contract could enter the country and obtain a residence permit once established. Competition for cheap, accessible labour from Southern Europe grew, and bilateral agreements were made with Italy and Spain. Switzerland developed a system for these agreements based on the 'rotation principle', whereby guest workers were imported when needed, and then sent home when no longer needed. Guest workers were seen as transitory migrants who needed to make money, and if domestic economic conditions worsened, they would no longer have the economic incentives to stay and therefore would return to their country of origin. Between 1960 and 1963, an average of 264,000 workers entered Switzerland every year, with 55% of them having seasonal permits only valid for nine months (Mayer, 1971). Throughout the 1960s, attempts by the government at moderating the overall growth of the foreign population failed.

On recruitment, the government has had explicit quotas for new guest worker's permits since 1970. This 'global ceiling' policy fixed annual quotas for the number of new permits for foreign workers and was anchored in the management of a centrally administered registry for foreigners. Based on the number of foreigners who left the country during the preceding year and following informal contracts with business and cantons' representatives, the federal administration identifies the annual quota for the new permits. The government is involved in conducting labour market tests. At the beginning of November of each year, the government announces the number of work permits to be available for the next twelve months and their distribution among cantons. Permits are allocated first to enterprises which suffer from an acute shortage of labour and have filed a request. There are regional limitations, as the remaining permit allocations are made to the cantons proportionately according to the population, with the distribution of these permits organized by local authorities. In the first two years after the program was initiated, approximately 20,000 new annual work permits were allocated,



which was significantly less than the years preceding the quotas (Gross, 2006). The program also proved adept at reducing intake of guest workers in response to rises in unemployment. In 1973, The Swiss economy took a downturn as a result of the OPEC crisis. Real growth was negative at -7.3% and remained negative until 1976. During this time period, total employment fell by 256,000 jobs, two-thirds of which were held by foreigners. This shows that Switzerland used the flexibility of its immigration policy to export unemployment. The unemployment rate remained close to zero, while the level of seasonal workers under quota were reduced by half to 97,000 permits (Gross, 2006). Temporary work visas vary from nine-months to twelve-months maximum. For the nine-month visas, there is an obligation to return to the country of origin for the remaining three months of the year, and there are no routes to permanent residence. For twelve-month permits, there is also a possibility of repeating annual renewal. After five years of annual renewal, workers can apply for permanent residence. The program heavily favoured low-skilled workers, as these were where labour shortages were identified. Low-skill and semi-skilled workers have comprised over 75% of incoming guest workers since 1991 (Gross, 2006). There are no youth-specific labour market tests.

On residency, there has been negligible funding for programs or involvement of guest workers in labour market integration. The government finances language courses for asylum seekers, but not for migrants of any other kind. The intent of this policy is that guest workers will make significant money in Switzerland and then return to their country of origin where life is less expensive and they feel more integrated. At the end of five annual renewals, the guest worker becomes eligible to apply for permanent residence, at which point they become eligible for programs. Guest workers are integrated into the social security system while they are working in Switzerland. There are no explicit policies to facilitate guest workers returning to their countries of origin. It is expected that based on a lack of social integration and economic incentives they return on their own volition. On family reunion, there are none allowed for short-term permits. For one-year permits dependents and family reunification have been allowed since 1993.

On sanctions, there is significant onus on employers to report information on visa status. Employers are required to notify their municipality's population office when all foreign employee work contracts end, and landlords must do the same with foreign tenants. As both tenant and employers must provide corroborating information, there is an incentive for compliance to avoid fines. Switzerland did not have penalties for the

countries of origin, leaving recruitment solely to the employers. For guest workers, there have been a series of increasing enforcements. These have tended to come about from referenda in the 1970s, most of which were defeated, but have put pressure on the government to increase sanctions for violating work visas (Castles, 2006).

#### **6.4. Summary of Case Studies**

Table 6.1 shows a summary of results. There are several characteristics shared by all jurisdictions. The characteristics shared by all three cases are a reduction of guest workers during a rise of unemployment, significant penalties for employers who violate contracts, and penalties for guest workers who remain illegally. Other characteristics that are important, being shared by a majority of the case studies, include limiting the length of work permits to less than one-season, having quotas specific to low-skilled guest workers, instituting government-mandated national quotas, having regional-specific limitations on guest worker allowance, government-conducted labour market tests, a lack of integration into the social security system, and an absence of family reunification.

**Table 4. Summary of Case Studies**

<b>Principles</b>	<b>Characteristic</b>	<b>Germany</b>	<b>UK</b>	<b>Switzerland</b>
Recruiting	Length of work permit		✓	✓
	Renewal rate	✓		
	Quotas on low-skilled guest workers		✓	✓
	National Quotas	✓		✓
	Reduction in temporary workers in response to rise in unemployment	✓	✓	✓
	Regional limitations	✓		✓
	Government-conducted labour market tests	✓		✓
	Youth-specific labour market tests		✓	
Residency	Lack of integration into social security system	✓		✓
	Absence of labour market integration	✓		
	Facilitation of migrants returning to country of origin	✓		
	Absence of family reunification		✓	✓
Sanctions	Penalties to employers	✓	✓	✓
	Penalties to country of origin	✓		
	Penalties to guest workers	✓	✓	✓

## Chapter 7. Interview Analysis

As a secondary methodology there are four semi-structured, in-depth interviews to validate the results the case studies and ensure their applicability to a Canadian context. The interview schedule addresses each characteristic, and whether it is an important characteristic in a BC context, and whether these characteristics are currently being applied. The interviewees were further asked questions on feasibility of policy changes based on the case studies to a Canadian context, as well as the impact changes to the TFWP could have on businesses and employers currently utilizing the program. These results on feasibility are used in the policy analysis section. The interviews were all conducted via Skype or phone, with each lasting approximately 40-55 minutes in length. They were semi-structured, focusing on open-ended questions to allow the interviewee some control over the process. Characteristics found to be important and relevant to a Canadian context by a majority of interviewees are considered in formulation and assessment of the policy options. The interviewees included:

- Kassandra Cordero, Equity and Human Rights Director for the BC Federation of Labour.
- Natalie Drolet, staff lawyer and Executive Director of Migrant Worker Centre
- A labour economist and professor at McMaster University.
- A labour economist and sessional lecturer at the University of British Columbia.
- An Athabasca University academic coordinator with a Ph.D. in Management who researches migrant labour, especially TFWs, in Canada.
- A Manager of the BC arm, and representative of the UFCW.

The interviews were analyzed through thematic analysis. This method was used to identify, analyze, and report patterns used within the interviews. Braun and Clarke's

framework was used to guide this analysis (Braun and Clarke, 2006). Within this framework, interviewees were asked on each of the characteristics and their relative importance on assessing the policy problem. The coding of data was utilized within the framework of predetermined characteristics. The semantic approach was used to identify what was explicitly addressed by the interviewees.

## **7.1. Analysis of Characteristics**

All interviewees agreed that penalties to employers was an important characteristic to consider. Further, each of the interviewees was asked questions relating to potential negative impacts on employers themselves if more burdensome processes were put in place. The professor at McMaster University made a distinction between large and small employers. “Most of the employers who are bringing in TFWs are larger employers. I think childcare is a really big issue. In that context anyone who wants to bring in a nanny is an employer. It’s different.” She believed that larger organizations had the bureaucratic structure, including accountants, and human resource workers, to adapt to changes such as more barriers to hiring TFWs. For employers that are often an individual or family, such as in most TFW childcare instances, increased barriers may result in too much complexity for these people to hire a TFW, even where they may be otherwise qualified.

All six interviewees also agreed that the Canadian government should be able to respond better to modifying intake of TFWs when unemployment rates are rising. According to the Academic coordinator, “from 2008 to 2009, unemployment climbed by more than 400,000 people, especially in British Columbia and Alberta. It should be predicted that the number of TFWs would drop as the economy slowed”, but instead unemployment levels remained high (Interview, December 2017).

Five of the six interviewees though that there was a significant need for quotas on industries low-skilled TFWs. When the TFWP was first enacted, there was an understanding within government that there was a shortage within several high-skilled sectors, and workers were subsequently targeted from these sectors. As the TFWP expanded, the lack of scrutiny continued. According to the UFCW representative, some

branches of the union are concerned with employers “bringing in short-term workers from abroad with the intent of weakening existing unions” (UFCW representative, Interview, May 2018). The academic coordinator cited his own research, which focused on TFWs in the service, construction, and accommodation sectors. His research found that “there was no evidence of any particular labour shortage in those occupations at the time” (Academic coordinator, Interview, December 2017). The Executive Director of the Migrant Worker Centre was the sole dissenter on this characteristic, expressing the view that would put further restrictions on TFWs, which “further widens the power gap that already exists between employers and TFWs” (Executive Director of the Migrant Worker Centre, Interview, May 2018).

A fourth characteristic deemed important by all six interviewees was the need for increased government involvement in assessing the labour market. As the professor from McMaster University stated “If this program is going to operate, we need to have a clearer idea of what the labour market actually looks like. Who else can do it except the state? I think that’s a real, real problem” (Interview, January 2018). The inference was that the federal government is dependent on employers’ LMIA to assess whether there is a need for TFWs. In every interviewees’ view, if the federal government is involved in deciding if there is a labour shortage, and how many migrant workers can come to fill an occupation, then it should be the federal government who assesses the labour market. The labour economist further supported this sentiment. He acknowledged that although the trend in recent years has been increased government involvement, they have not resulted in meaningful changes. “There have been some changes in 2013, which are welcome, but they are insufficient. The reason being, there is still lacking information on the state of the labour market [from LMIAs]” (labour economist at UBC, Interview, January, 2018). He noted that in addition, regulation is largely driven by vulnerable TFW workers having to file a complaint to the province through Employment Standards & Workplace Safety.

Improving regional limitations was agreed to be important by four of the six interviewees. According to two of the interviewees, while regional distinctions are an important consideration, they are not as important in a Canadian context, as more than half of TFWs are in the Lower Mainland and Victoria. Further one of the interviewees considered Canada’s current regional limitations to be sufficient.

Three characteristics were not confirmed by a majority of the interviewees. These included lack of integration into social security system, absence of family reunification, and penalties to guest workers. Five of the six interviewees rejected these characteristics as important to a Canadian context, in large part due to current abuses to TFWs. Four of these interviewees also rejected limiting the length of work permits for this rationale as well. According to these interviewees, the resulting exploitation results in lower wages and increased productivity outputs for TFWs. This incentivises employers to pursue TFWs, even where domestic workers are available. The Equity and Human Rights Director describes how as workers are paid less, they have less rights on the job, and it becomes increasingly lucrative for the employer. The UFCW noted that some collective agreements stipulate that “if employers hire TFWs, they must help them apply to become permanent citizens” (UFCW representative, Interview, 2018). While UFCW does not support the TFWP itself, the union has decided that “the answer to this whole foreign worker issue is not TFWs, it is permanent immigration” (UFCW representative, Interview, 2018). In addition, employers are able to recoup some of their spent wages through charging rent and food, which they often provide. She cites her own experience whereby,

“we saw situations where workers were collapsing from smoke inhalation, as the interior of the province was literally on fire. We saw workers who were working right next to the Elephant Hill fire, and did not have an evacuation plan from their employer. We received reports from WorkSafe about inspections they had done where they asked they ordered changes to be made on the farms, and the workers were told by the employer that they should hide that piece of equipment because another inspection was coming through. The employer manipulates the workers to do whatever needs to be done to keep the business running, often at the cost of their health and safety, and for much lower pay than a worker who is already here would be paid for” (Equity and Human Rights Director, January, 2018).

## **7.2. Summary of Findings**

Of the nine characteristics found to be common in at least two of the case studies, five were confirmed to be important by a majority of the interviewees. These characteristics should be addressed for TFWP policy in Canada to be successful in its impacts on domestic youth unemployment. Policy options should focus on changes directed at employers rather than at TFWs. These policies should be dynamic, being able to significantly reduce the intake of TFWs during rises in unemployment rates. To

focus on impacts to youth, policies should be focused on low-skilled TFWs. The government should have an increased role in the collection of data related to labour markets. And lastly, there should be a consideration of regional distinctions. These five characteristics, shown in table 5 are used to inform the formulation of policy options, as well as define relevant objectives.

**Table 5. Key Characteristics**

Characteristic	Interview Confirmations
Penalties to employers	6
Response to rise in unemployment	6
Quotas on low-skilled TFWs	5
Increased government involvement in LMIA	5
Regional distinctions	4



## **Chapter 8. Policy Analysis**

Given the issues identified through the analysis, three policy options are formulated, and then evaluated based on relevant objectives, resulting in a policy recommendation. Each policy option was formulated with the objective of incorporating all of the key characteristics of successful case studies as confirmed by the interview. This framework assists in highlighting conflicts and trade-offs of objectives, as improvements in terms of primary objectives tend to be accompanied by negative effects in terms of other objectives. The policy objective is the intended change in society we want to see. After these are defined, the intended change will be described via objectives and assessed via criteria and measures. Each of the objectives consist of relevant normative rationales for government action within Canadian, as well as broader Western liberal thought and tradition. Criteria can be defined as descriptions of short term outcomes, and long term impacts, in a form used to assess or evaluate alternatives. Each criterion will have one specific measurement to assess outcomes and impacts. These are the types of data used to assess how well the policies satisfy or infringe upon each criterion. These measurements can be qualitative, comparing impacts between the varying options or relative to another standard, or quantitative.

### **8.1. Policy Options**

The first policy option is on restricting employers from hiring TFWs in industries that are most commonly occupied by youth in low-wage positions. The industries to be affected by this policy include retail; accommodation and food services; information, culture, and recreation; health care and social assistance; manufacturing; and construction. The current restriction on TFWs as a proportion of the workforce was at 30%, then became set to decrease to 10% within two years, but became frozen at 20% for many companies. This proposal would restrict the proportion to 10% within the first year for all companies, then decrease it to 0% the following year, giving employers time to adjust hiring practices. This would not affect employers under the SAWP, the most common utilization of the TFWP, but it would affect caregivers, the second-most common subset of the TFWP. This policy option utilizes two of the key criteria, being quotas on low-skilled TFWs, regionally distinct as it will have less impact in rural areas as it does not affect the SAWP.

The second policy option is a ESDC youth job placement program. Employers wanting to hire a TFW who cannot find a domestic worker to fill a job vacancy would then apply through a regional ESDC office. The ESDC office would maintain a regularly updated applicant pool of youth. The applicant pool would be drawn from job placement websites where resumes are uploaded, including the Canadian Job Bank, as well commonly-used non-government job boards. If a youth worker is found who meets the qualifications, the employer is notified of the individual applicant and their request for a TFW is denied. If the ESDC office finds no youth worker available, and the LMIA is successful, then the employer is approved to hire a TFW. This option is designed to increase effective documentation on labour shortages. Under the current TFWP system, employers are incentivised to fill job vacancies at a lower cost because of the nature of foreign training and the larger pool of applicants. Rather than depending solely on the employer to conduct a LMIA, the ESDC office will conduct an additional check to ensure that there are no domestic youth available. This policy option utilizes three of the key criteria; it allows for regional distinctions in job applications, increased government involvement in the LMIA process, and allows responses to rises in unemployment.

The third policy option is increasing wage offers for domestic youth workers by 13% above the competitive wage rate in all low-wage positions in BC. The number 13% is chosen because, according to Statistics Canada, the income of Canadian workers ages 25 to 34 is 13% lower than workers ages 45 to 54 after accounting for differences in factors such as education, union status, and occupation (Statistics Canada, 2017). Legislating that TFWs can only be hired for a position at 13% above the competitive wage rate will still give employers the option of hiring a TFW, but only where no youth are available. This policy option would be incorporated in the current LMIA. This policy option utilizes two of the key characteristics, being regional distinctions as youth from throughout the province will be further incentivized to come to various regions, increased government involvement in the LMIA.

## **8.2. Policy Objectives and Evaluation Criteria**

Each of the three policy options are evaluated by four criteria. Every criterion has a benchmark against which the measures are ranked, which sets a scale for comparison. Measures are ranked “Low” (1), “Moderate” (2), and “High” (3). In this analysis, all criteria are equally important, and are given the same weight to ensure the

neutrality of recommendations. Two criteria, effectiveness and stakeholder acceptance, have multiple measurements. The total criteria score for each will be divided by two for effectiveness and three for stakeholder acceptance, the number of measurements associated with each criteria. While the TFWP is a federal program, each of the policy options are assessed by their predicted impact of implementation on BC, not Canada as a whole. There is precedent for provincial distinctions within the TFWP, such as denial of applications longer than six months in specified occupations in Alberta only.

The evaluation of criteria is found in Table 6. The key policy objective is effectiveness of the policy options in their impact on youth unemployment. It is a measurement of the effectiveness of the TFWP mandate as it applies to youth. Each policy option is expected to perform better at effectiveness compared to the status quo. The rankings are relative to each other, meaning that a ranking of '1' does not mean an ineffective policy but rather reduced effectiveness relative to the other policy options. It is important to note that an increase in 10,000 jobs made accessible will likely result in less than 10,000 fewer youth being unemployed, as there are many factors contributing to unemployment, and youth will still be competing with the rest of the Canadian domestic workforce. The goal is to focus on low-wage positions made accessible, as these are positions more likely to be filled by youth. This will give an accurate value for effectiveness. Data for the number of jobs made accessible is estimated by using Statistics Canada table TFWP2017\_Q3\_Table\_13\_e.csv, which provides data on the number of positive LMIAs disaggregated by province and industry. The number of jobs of each industry affected by the different policy options is summed to find the total. If the total number of low-wage jobs made accessible is less than fifty percent the total low-wage positive LMIAs, then the option will rank Low (1), if more than 75% the total low-wage positive LMIAs the option will rank Moderate (2), and if 100% of low-wage jobs are affected the option will rank High (3).

Stakeholder acceptance is another criterion. Three stakeholders are considered in measuring acceptance of the option, including the Canadian public, employers, and unions. There are several factors which can contribute to employers' acceptance, such as wait times to hire TFWs, increased workloads related to filing LMIAs, and increased costs associated with application fees and wages paid. This criterion is an approximation of anticipated acceptance by employers who currently utilize the low-wage program. It is also an indirect measure of freedom and liberty of employers to hire who they want to

without governmental interference, being able to make autonomous choices. The number of employers who received at least one positive or negative LMIA in British Columbia during 2016 was an estimated 7000 (Lehmann, 2017). These are the employers likely to be most cognizant of and responsive to changes to the TFWP. Public acceptance measurement is based on survey responses related to TFWs. Where BC specific survey responses were unavailable, Canadian-wide surveys were used as an approximation. There is indication that Canadians want policy changes relating to the policy problem. 65% of Canadians believe that the biggest losers as a result of the TFWP are young Canadians. A similar proportion, 66%, of respondents believe that Canadians with low-paying jobs are also the biggest losers as a result of the TFWP (Angus Reid, 2014). If less than a majority of British Columbians accept an option it will rank low, if a majority accept an option it will rank moderate, and if a supermajority, two-thirds, accept an option it will rank high. Estimated union acceptance comes from a combination of union websites declaring acceptance or reluctance towards these policy options, or comparable options where no other data is available, as well as from the interview with a union representative. While youth are the primary stakeholders, their acceptance is assumed to be the same as the reduction in unemployment. Their acceptance of varying options is not separately considered, as it is expected to be tied to effectiveness.

Enforcement refers to the degree to which the stakeholders charged with implementing the policy change are committed to implementation of the policy. Stakeholders can be unwilling or hesitant to assist in implementing a policy for a number of reasons, whether that be potential regulatory capture, a perceived increased burden, or even ambivalence. Stakeholders relevant to this criterion include government agencies as well as employers. Benchmarks are measured from the estimation of the stakeholders to implement the policy, based on past and current implementation of comparable policies in BC.

Administrative costs are also considered. This is the estimated increased burden on taxpayers as a result of increased staffing, management, and physical facilities relative to the status quo. This criterion is difficult to measure due to variable uptake of the policy options, as well as that none of these options have been implemented in a BC or Canadian context. Lacking pricing certainty, this criterion is estimated as an increase relative to the status quo, ranked as high, medium, or low cost to government.

Other objectives were considered, but not included because the options ranked similarly compared to each other. For example, ease of implementation, while not included in the policy analysis, would rank low for all three options. Each option would require federal and provincial coordination, similar to recent changes to TFWs in Alberta. The example of Alberta also shows that although administratively complex, policy changes specific to Western Canadian provinces are achievable.

**Table 6. Criteria and Measure Framework**

<b>Criteria</b>	<b>Definition</b>	<b>Measurement</b>	<b>Benchmark</b>	<b>Value</b>
<b>Effectiveness</b>	Youth unemployment	Additional number of job positions accessible to youth	<5000 5000-10,000 >10,000	Low (1) Moderate (2) High (3)
	Response to Rise in Unemployment	Mean wage of industries affected	<\$17.03/hour \$17.03-\$22.70/hour >\$22.70/hour	Low (1) Moderate (2) High (3)
Total÷2=score				
<b>Stakeholder Acceptance</b>	Employer Acceptance	Anticipated increased cost to businesses hiring TFWs per month	<\$100 \$100-200 >\$200	Low (1) Moderate (2) High (3)
	Union Acceptance	Estimation based on interview response	Qualitative	Low (1) Moderate (2) High (3)
	Public Acceptance	Estimation based on survey responses on TFWs	<50% 50-65% >65%	Low (1) Moderate (2) High (3)
Total÷3=score				
<b>Enforcement</b>	Anticipated Enforceability	The degree to which stakeholders charged to implement policies are committed to implementation; these include government agencies and employers	Qualitative	Low (1) Moderate (2) High (3)
<b>Administrative Costs</b>	Cost to government	Increased annual cost to government	Low cost Moderate cost High cost	Low (1) Moderate (2) High (3)

## Chapter 9. Results for Policy Options

The description of each policy option and how it ranked according to each criterion, with the overall results in Table 7. Next is the policy recommendation, followed by a description of limitations on the findings within this study.

**Table 7. Summary of Criteria and Measures Analysis**

	Restriction of TFWs	Youth job placement program	Increased youth wage offers
<b>Effectiveness</b>			
Youth Unemployment	1	3	3
Response to Rise in Unemployment	1	3	2
Total=2	<b>1</b>	<b>3</b>	<b>2.5</b>
<b>Stakeholder Acceptance</b>			
Employer Acceptance	1	3	1
Union Acceptance	2	3	3
Public Acceptance	2	3	2
Total=3	<b>1.7</b>	<b>3</b>	<b>2</b>
<b>Enforcement</b>	<b>3</b>	<b>3</b>	<b>1</b>
<b>Administrative Costs</b>	<b>3</b>	<b>1</b>	<b>2</b>
<b>Total</b>	<b>8.7</b>	<b>10</b>	<b>7.5</b>

### 9.1. Restriction of TFWs

*Effectiveness.* For measuring youth unemployment, based on 2016 data of positive LMIA's, there are 12,491 new low-wage TFWs in BC. Of these, 5,343 jobs low-wage positions are within the industries of retail trade, accommodation and food services, information, culture and recreation, health care and social assistance, and manufacturing and construction which required a LMIA in 2016 (Table 8). The total number of jobs affected are less than half of all low-wage positions requiring LMIA's, and as such this option ranks "Low (1)".

**Table 8. Summary of Criteria and Measures Analysis**

Industry	Number of low-wage positions
Accommodation and food services	1,457
Information and culture and Recreation	627
Retail	117
Health care and social assistance	1,536
Manufacturing	1,181
Construction	425
<b>Total</b>	<b>5,343</b>

Source: Statistics Canada table TFWP2017\_Q3\_Table\_07\_e.

*Response to Rise in Unemployment.* This option does not affect long-term rises in unemployment, resulting in a “Low (1)” ranking. As the quota for these industries will be set at 0% within two years, a future rise in unemployment rate will not have a more significant impact on the number of TFWs coming to British Columbia. While it is positive for youth unemployment overall, it inhibits access to TFWs when needed.

*Stakeholder Acceptance.* On employer acceptance, this option has the disadvantage of harming employers who are in areas of low unemployment and no longer have access to TFWs. This may have the positive impact of incentivising employers currently dependent on TFWs in the long term to pursue hiring options beyond their immediate community, or increase wage offers to attract local workers. It may also have the negative impact of resulting in labour shortages in businesses dependent on TFWs in the short term. This option is likely to adversely affect some businesses, restricting their freedom to hire TFWs, and as such this option ranks “Low (1)”.

This option ranks “Medium (2)” on union acceptance. Some unions, including the International Union of Operating Engineers and the Construction and Specialized Workers Union support restricting TFWs. These unions believe TFWs should be restricted because under the current model, unions have no role in determining if a labour shortage exists, rather than “brokers or companies that will exploit them” (Alberta Federation of Labour, 2013). Some other unions, like UFCW propose increasing paths to citizenship as opposed to restricting TFWs, which would minimize the power imbalance between employers and TFWs, however increasing paths to citizenship is not within the mandate of the TFWP.

On public acceptance, this option ranks “60%”. When asked about some suggested changes to the TFWP, 60% of Canadians think it is a “good idea” to no longer

use the TFWP to fill less-skilled positions at all; employers should fill those jobs with Canadians even if they have to pay higher wages. This is compared with 27% of Canadians who think it is a “bad idea” (Angus Reid, 2014). This policy option has even greater favourability among respondents who were unemployed and looking for work, 71% of whom thought it was a “good idea”, with 12% thinking it was a “bad idea”. There is further indication that their support for restricting TFWs, based on provincial support for the TFWP. While 20% of British Columbians support the TFWP, the lowest of any province, Albertans have the second-highest approval rating for the TFWP, apart from Quebec, at 41%. A month prior to the survey being conducted, the federal government announced restrictions on TFWs in specified skilled employment categories, which likely contributed to a rise in favourability of the program compared to a previous 2010 report (Angus Reid, 2010).

*Enforcement.* This policy option ranks “High (3)” on enforcement, as the commitment to implementation for this policy is high. The stakeholder involved in implementing this policy is ESDC, which has a reduced discretion in discerning whether labour shortages exist. In the five industries affected, ESDC employees will deny any access to TFWs. The likelihood of circumventing this policy once implemented is low.

*Administrative Costs* There are negligible administrative costs associated with this option, giving it a ranking of “High (3)”.

## **9.2. Youth Job Placement Program**

*Youth Unemployment.* This policy option would have the potential to affect all low-wage jobs which currently require a LMIA, constituting 12,491 positions in BC (Statistics Canada table TFWP2017\_Q3\_Table\_06\_e). ranking “High (3)”. This policy option would also affect all industries that hire TFWs, not limited to industries commonly employed by youth. The actual number of increased youth employed as a result of this job is in part dependent on the uptake of unemployed youth to upload their resume to the Canada Jobs Bank or other job placement websites utilized by the ESDC workers. As this policy option affects all low-wage TFW jobs, this option ranks “High (3)” on this measurement.



*Response to Rise in Unemployment.* This policy option is expected to perform very well in response to long-term rises in unemployment rates, getting a ranking of “High (3)”. If unemployment were to rise sharply, such as in 2009 where it rose by over 5% compared to the previous year, then the government would be able to respond by having an accurate labour assessment and reducing the number of positive LMIA to near-zero. This is compared to the current TFWP, where over 20,000 LMOs were approved in 2009.

*Stakeholder Acceptance.* On public acceptance, there is no direct evidence for approval option. Of survey responses that do exist, 54% of respondents agreed that the TFWP is used to fill real labour shortages in different regions and sectors in Canada, compared with 36% who disagree. Among unemployed and looking for work respondents, 32% agreed, and 47% disagreed. While indirect, it suggests that the respondents who disagree the TFWP is actually used to fill labour shortages would prefer more government involvement in determining if a labour shortage exists. It also suggests that the 54% who agreed that the TFWP is used to fill real labour shortages would oppose a potential increased tax burden to have the government take on the role of validating LMIA (Angus Reid, 2014). This policy option ranks “High (3)”.

This program is anticipated to rank “High (3)”. According to the UFCW representative, a youth job placement program can alleviate some of the current lapses in enforcement. For example, since 2015, only eight employers have been hit with a combined \$12,000 in fines, in spite of multiple reports of abuse and misuse. This suggests that another layer of government involvement, verifying that there are no underrepresented groups, such as youth, qualified for and willing to take the position, could have a positive impact (UFCW representative, Interview, May 2018).

On employer acceptance, this option ranks “High (3)”. This policy option is likely to be positively received by employers, resulting in a significant uptake in the program because they receive government assistance in hiring youth for low-wage positions when applying for the TFWP. One negative effect of this policy option is a likely increased wait time of hiring TFWs, as even with increased staffing, implementing a youth job placement program will require additional time added to accessing TFWs when needed.

*Enforcement.* This policy option ranks “High (3)” on enforcement, as the commitment to implementation for this policy is high. The stakeholder involved in implementing this policy is ESDC, which has a reduced discretion in discerning whether labour shortages exist. In the five industries affected, ESDC employees will deny any access to TFWs. The likelihood of circumventing this policy once implemented is low.

*Administrative Costs.* The most substantial trade-off of government conducted LMIA is the increase in administrative costs, ranking “Low (1)”. The cost of running two offices and the hiring of 16 additional staff would cost ESDC an additional \$2.1 million (Consultation, TFW Advisory Office in Alberta, May 2018). This is an estimation based several conversations with the TFW Advisory Office in Alberta, as an equivalent helpline office for TFWs does not exist in BC. The costs associated with this option are highly variable. If uptake substantially increases than either additional workers will be necessary, or the wait times will increase.

### **9.3. Increased Youth Wage Offers**

*Youth Unemployment.* This policy option affects all 12,491 low-wage positions in BC, as every employer wanting to hire a low-wage TFW will have to increase their wage offers to youth at 13% above the competitive wage rate. Therefore, it is given a ranking of “High (3)”.

*Response to Rise in Unemployment.* This policy option would allow for negligible responses to changing unemployment rates, ranking “Medium (2)”. Wage offers for youth would be dependent on posted domestic wage offers. As such, as unemployment rates rise, inversely affecting average wage offers, the relative price paid to youth workers through the job placement program would also increase.

*Stakeholder Acceptance.* This policy option has substantial increased costs for employers, ranking “Low (1)”. The increase in costs is variable by employer, being depending both on original the wage offered and acceptance of youth to accept the newly-offered position. Low-wage positions are wage offers less than the median hourly wage in BC, which is currently calculated at \$22.60/hour (Statistics Canada, table 282-0072). The most common (mode) wage of positions filled by youth is minimum wage, which is \$11.35/hour. For employers advertising positions at minimum wage, they will be

required to offer youth a 'new' minimum wage of \$13.05/hour, an increase of \$1.70/hour. For fulltime positions, this will cost employers an additional \$272/month. For employers advertising positions at the highest, low-wage offer, they will pay an additional \$638/month for a fulltime youth worker.

This option is anticipated to rank "High (3)" among unions. According to the UFCW representative, a primary concern of the TFWP is the effect it has on prevailing wages for youth (UFCW representative, Interview, May 2018). This will prevent TFWs depressing the wage rate of companies and workers that are competing. In industries such as construction, contractors will be less able to "beat the system" and have a lower paid-work force (UFCW representative, Interview, May 2018).

On public acceptance, while there are no survey questions on specifically this option, increasing domestic youth wage offers is likely to rank "Medium (2)", based on the available data. More than half the respondents, 57%, believe that businesses should be required to pay more, with the idea being that higher wages will attract Canadian workers first, compared to 29% who think this is a bad idea (Angus Reid, 2014). Canadians believe that the TFWP keeps Canadian wages lower than they should be, with 52% agreeing with the statement and 31% disagreeing (Angus Reid, 2014)

*Enforcement.* This option ranks "Low (1)" on enforcement. This is because employers are the stakeholder charged with implementing the policy change. Employers who are currently unwilling to assist in proper implementation will likely continue to circumvent the intent and mandate of the TFWP. Similarly, where ESDC has been criticized for enforcing current regulation, having given minimal fines where gaps in enforcement exist, this policy option will not address those shortcomings. More regulation will be added, without additional tools to ensure that the regulation is effectively enforced.

*Administrative Costs.* There are negligible administrative costs associated with this policy option, giving it a "High (3)" ranking.

## **9.4. Policy Recommendation**

While all policy options ranked similarly overall, based on the analysis of the proposed policy options, the youth job placement program the most favourable results.

This option ranks highest on effectiveness, the key criteria. It affects more job positions than restricting TFWs, and is more dynamic at responding to changes in unemployment than both the other two options. This option has the additional advantage of being acceptable among all stakeholders. While this option is more expensive compared to the others, it is highly enforceable. This policy option has the additional advantage of having similar programs successfully implemented in Switzerland and Germany, unlike increasing youth wage offers, which has not been implemented in other jurisdictions.

## Chapter 10. Conclusion

TFWs are driving youth out of the labour market, and in spite of several policy changes in the past decade to address this issue, there remains an unemployment gap between youth and adults, exacerbated by TFWs. Allowing youth to have access to low-wage jobs, what is traditionally first jobs for many Canadians, can support them while they pursue post-secondary education, or gain work experience in the industry, in turn providing them with increased high-wage outcomes.

The case study analysis of Western European countries results in several key findings. Firstly, reducing integration of TFWs and incentivising return to country of origin can assist in ensuring the temporariness of the program. Limitations of the TFWP further assist in displacement of domestic jobs. Additionally, they show that increased government involvement in labour market information leads to a more accurate understanding of the labour market. This in turn allows the ESDC workers to respond more effectively to regional or demographic variances in unemployment. The interviews confirmed the need for increased government involvement, while emphasising the abuse that occurs through the employer-employee power dynamic inherent to the TFWP. As such, they expressed hesitancy towards options limiting TFW integration in a Canadian context.

Through the case studies and interviews, three policy options were formulated to maximize inclusion of the key findings. Of these, the youth job placement program in low-wage positions is the recommended policy option. This option impacts over 12,000 jobs, which will subsequently become more accessible for youth. While the most cost-intensive policy option proposed, it is also the most effective and accepted by stakeholders.

While focusing on the impacts of TFWs on young adults, further research can be done with other groups facing unemployment barriers in BC, including Aboriginals, rural communities, or recent permanent migrants. While youth in each of these demographics are targeted in this research, different barriers, challenges, and policy options may emerge by focusing on these differing groups.

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## Appendix.

**Table 9 Expanded Summary of Case Studies**

<b>Principles</b>	<b>Characteristic</b>	<b>Measure</b>
Recruitment	Length of work permit	Is there a maximum length of work permits set at fewer than nine months?
	Work permit renewal potential	Are there restrictions on temporary workers renewing their work permits within a 12 month period?
	Restrictions on low-skilled guest workers	Are there restrictions applied specifically to low-skilled guest workers?
	National Quotas	Are there national quotas on the number of guest workers that can enter per year as determined by the government?
	Reduction in temporary workers in response to rise in unemployment	Are temporary workers restricted during periods of rise in unemployment?
	Regional limitations	Does temporary worker recruitment cease in regions of higher unemployment?
	Government-conducted labour market tests	Does the government or the employer collect information on labour shortages?
	Youth-specific labour market tests	Are there youth-specific requirements within labour market tests?
Residency	Absence of labour market integration	Is there a lack of labour market integration for temporary workers?
	Facilitation of migrants returning to country of origin	Are there programs to facilitate returning migrants to their country of origin?
	Family reunion	Is family reunification allowed?
	Accessibility to the social security system	Are guest workers kept removed from the social security system of their host country?
Sanctions	Penalties to employers	Are there significant penalties to employers that are utilized by the government when hiring standards are not met?
	Penalties to country of origin	Are there penalties to the country of origin when agreements are not met?
	Penalties to guest workers	Are there significant penalties to guest workers who illegally overstay their contract?