

Restrictions added to the Temporary Foreign Worker Program: A serious threat to the economies, businesses, and workers in the regions

Policy paper developed by the FQM and CFIB

December 5, 2024



**FÉDÉRATION
QUÉBÉCOISE DES
MUNICIPALITÉS**



**CANADIAN FEDERATION
OF INDEPENDENT BUSINESS**

In business for your business.

THE FÉDÉRATION QUÉBÉCOISE DES MUNICIPALITÉS

The Fédération québécoise des municipalités (FQM) has been making the voices of Quebec's regions heard since 1944. At the FQM, we believe we are stronger together. Our top priority is to defend the policy and economic interests of our 1,000 members across Quebec. They promote regional autonomy, work actively to increase the vitality of regions, and offer a broad array of services to municipalities and regional county municipalities (RCMs). Along with our drive and creativity, our actions and approach are shaped each day by the spirit of cooperation and innovation shown by our municipal elected officials.

MISSION

The FQM is a non-profit whose mission is to champion the political and economic interests of the regions by providing municipal organizations with unique expertise to support them in discharging their current and future responsibilities.

VISION

Our vision is to incorporate regional strengths into the fabric of Quebec's future, enabling municipalities to provide their citizens with access to quality services in thriving, dynamic living environments based on each region's unique circumstances.

VALUES

In order to achieve its mission and vision, the FQM, its administrators, and its team members are guided by the following values.

Integrity

The FQM's success is founded on local and regional municipalities' trust. To preserve this trust, our decisions are led by our organization's mission, vision, and values.

Creativity

We employ an entrepreneurial spirit when creating and proposing innovative solutions to unusual situations for our colleagues and partners, all while upholding our values.

Precision

We maintain a high level of professionalism, pooling our knowledge, considering all aspects of a situation, and making good on our word.

Proactive approach and teamwork

Our adaptable and knowledgeable team anticipates arising situations and actively resolves problems—our own and our partners'—through collaborative efforts and by leveraging complementary skill sets.

Engagement

Everything our team does is guided by passion and motivated by the desire to bring our mission and vision to life.



FÉDÉRATION
QUÉBÉCOISE DES
MUNICIPALITÉS



In business for your business.

THE CANADIAN FEDERATION OF INDEPENDENT BUSINESS

The Canadian Federation of Independent Business (CFIB) is Canada's champion of small business. With 100,000 members, including 21,000 in Quebec, we are the country's largest non-profit organization devoted to creating and supporting an environment where small businesses can thrive.

As a non-partisan organization, CFIB advocates for small businesses with politicians and decision-makers, ensuring small businesses have a chance to influence the laws and policies that affect them.

CFIB provides its members with a wide range of specialized business resources, including personalized advice from business advisors, to help them navigate the challenges of running their business.

CFIB also offers partnerships with carefully selected providers to deliver exclusive savings on products and services. We also keep our members informed on key issues, so they can focus on managing their business.



TABLE OF CONTENTS

<i>The Fédération québécoise des municipalités</i>	2
<i>The Canadian Federation of Independent Business</i>	3
<i>Background</i>	5
<i>Business closures very likely</i>	6
<i>Interpreting macroeconomic variables</i>	9
<i>The reality of seasonal industries in the regions</i>	10
<i>Conclusion</i>	12
<i>Recommendations</i>	<i>Error! Bookmark not defined.</i>



BACKGROUND

Over the past few weeks, the governments of Canada and Quebec introduced new measures to reduce businesses' reliance on the Temporary Foreign Worker Program (TFWP). These changes include:

- Reducing the cap on hiring TFWs for low-wage positions from 20% to 10% of a business's workforce.
- Limiting contracts for low-wage TFW positions from 2 years to 1 year.
- Raising the hourly wage threshold for TFW positions in the high-wage stream to at least 20% above the provincial median hourly wage.
- A six-month refusal to process applications for Labour Market Impact Assessments (LMIAs) for low-wage positions in major Canadian Census Metropolitan Areas (CMAs) with an unemployment rate of 6% or higher.

These measures, which aim to reduce the number of temporary immigrants entering the country, will greatly constrain economic development across Quebec's RCMs. The TFWP is the program that is most aligned with labour market needs, and it only represents a small portion of temporary immigrants in Quebec (about 60,000 out of a total of 588,000, as of July 1, 2024).¹

Taking the 20,000² TFWs in Quebec's agriculture sector out of the equation, the 40,000 TFWs in all other sectors comprise considerably less than 10% of the 588,000 temporary foreign workers in the province.

Targeting the TFWP is unjustified, and small businesses will pay the cost of the cuts made by the federal and provincial governments. The labour shortage continues to hold businesses back. According to data from CFIB's Business Barometer published October 31, 2024, a lack of employees is the top factor limiting small businesses' sales and production growth (48%).³

Statistics Canada reported 139,400 job vacancies in Quebec in the second quarter of 2024, including 13,900 in the hospitality sector, 13,200 in manufacturing, and 12,500 in retail.⁴

¹ IDQ. (2024). *Pourra-t-on réduire l'immigration temporaire? Et quel est le prix à payer pour le Québec?*

<https://institutduquebec.ca/wp-content/uploads/2024/10/IDQ-202410-IMMIGRATION-TEMPORAIRE.pdf>

² Statistics Canada. (2024). *Temporary foreign workers in the agriculture and agri-food sectors, by industry* [data visualization tool]. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3210021801&request_locale=en

³ CFIB. October 2024 Business Barometer®, October 2-22, 2024, final results, n = 516. <https://www.cfib-fcei.ca/hubfs/research/mbb/Business-Barometer-sectors-2024-10.pdf>

⁴ Statistics Canada. *Les postes vacants au Québec*, published September 18, 2024.

<https://statistique.quebec.ca/en/document/postes-vacants-au-quebec> [French only].



FÉDÉRATION
QUÉBÉCOISE DES
MUNICIPALITÉS



In business for your business.

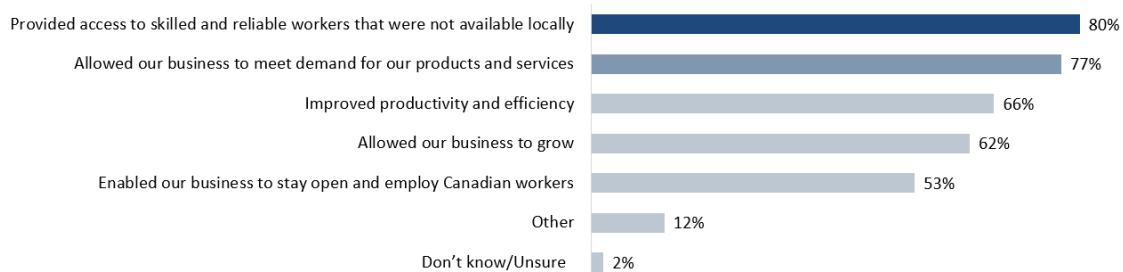
RISK OF BUSINESS CLOSURES

The FQM and CFIB have consulted their members and partners over the last few weeks to measure the impact of the new TFWP measures. The FQM helped distributed this survey. The preliminary results presented in this document are based on responses from 622 Canadian small business owners, including 354 Quebec entrepreneurs, who hired workers through the TFWP.⁵

The results clearly show that the government's recent decisions on temporary immigration will be harmful to many small businesses across the province.

Small businesses have benefited from the TFWP, which has provided 8 out of 10 Canadian small business owners access to skilled and reliable workers they were unable to find locally. It also enabled 77% of small businesses to meet the demand for their products and services, with 66% reporting an improvement to productivity and efficiency.

The vast majority of Canadian small businesses benefited substantially from the TFWP



Source: CFIB, Survey on Recent Changes to Temporary Foreign Workers (TFW) Program, preliminary data from November 7-20, 2024, n = 623. Question: "What benefits has your business gained from using the TFW Program?" (Select all that apply)

Small business owners across Canada predicted that changes to the TFWP would negatively impact their productivity (65%), make it more difficult to extend or renew contracts for positions currently filled by TFWs (63%), result in scaled-back business growth plans (57%), and have them lose some of their most reliable workers (53%).

⁵ CFIB. Survey on Recent Changes to Temporary Foreign Workers (TFW) Program, preliminary data from November 7-20, 2024, n = 1,326.

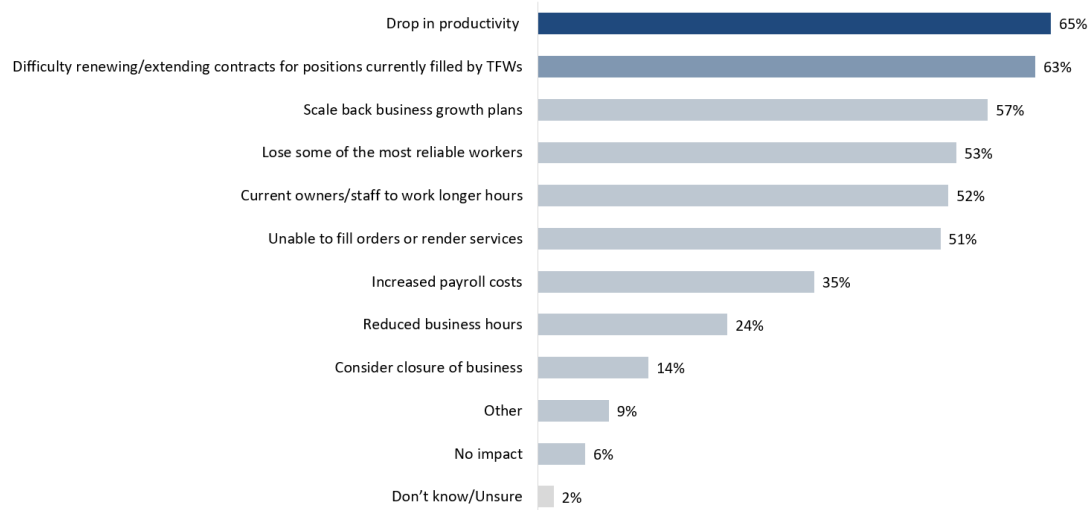


FÉDÉRATION
QUÉBÉCOISE DES
MUNICIPALITÉS



In business for your business.

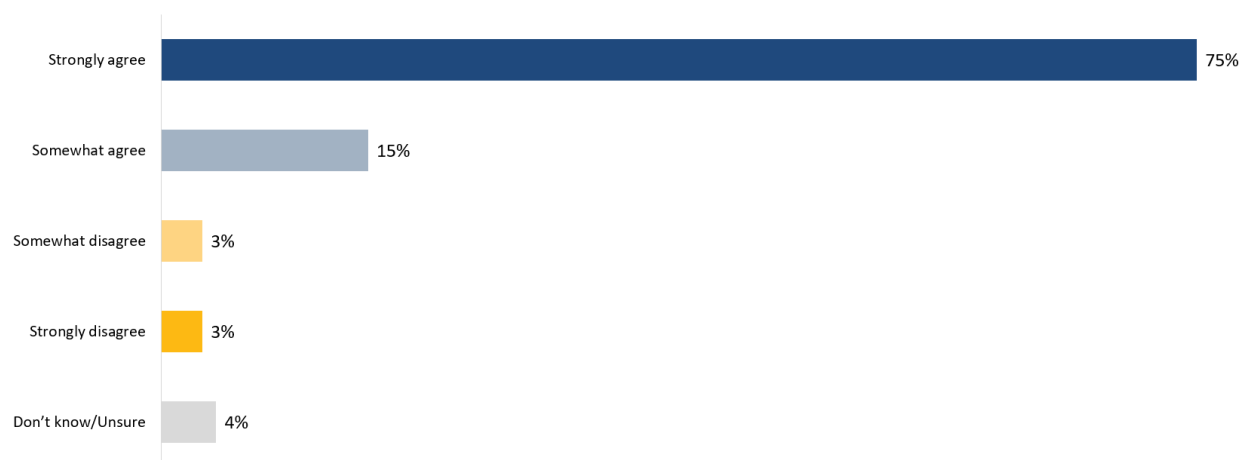
Major impacts anticipated by more than half of Canadian small businesses following changes to the TFWP



Source: CFIB, Survey on Recent Changes to Temporary Foreign Workers (TFW) Program, preliminary data from November 7-20, 2024, n = 622. Question: "Overall, how will the changes to the TFW Program affect your business (e.g. staffing, productivity, and operating hours)?" (Select all that apply)

Almost all business owners surveyed (90%) agreed that it will be difficult to find local workers to fill positions previously held by TFWs.

Almost all Canadian business owners surveyed (90%) agreed that it will be difficult to find local workers to cover positions previously filled by TFWs



Source: CFIB, Survey on Recent Changes to Temporary Foreign Workers (TFW) Program, preliminary data from November 7-20, 2024, n = 568. Question: "To what extent do you agree or disagree with each of the following statements about the recent changes to TFW Program? It would be difficult for our business to fill positions previously held by TFWs with local employees."



Overall, 88% of respondents were concerned that the new rules would force them to send TFWs already in Canada back to their country of origin. Among Quebec's small business owners, this figure rose to 96%.⁶

Almost 90% of Canadian small business owners agree that the changes to the TFWP may force them to send TFWs back to their country of origin



Source: CFIB, Survey on Recent Changes to Temporary Foreign Workers (TFW) Program, preliminary data from November 7-20, 2024, n = 573. Question: "To what extent do you agree or disagree with each of the following statements about the recent changes to TFW Program? The new rules mean our business will no longer be able to keep our existing TFWs already in Canada, as they will not be able to renew their visas or switch to permanent residency streams."

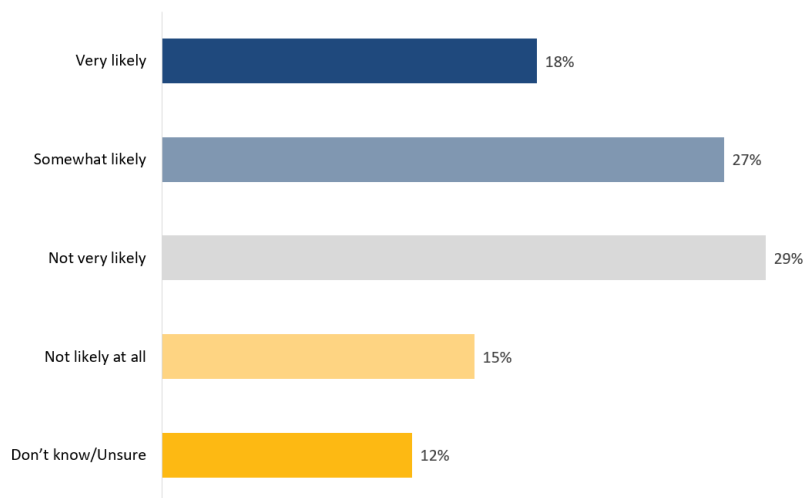
Further, 45% of respondents said it was likely that the restrictions on hiring TFWs for low-wage positions would put their business at risk of closing. In Quebec, 12.4%⁷ of small business owners stated that they would very likely be closing their doors. Governments need to understand that the loss of a few TFWs can force a small business to close or face bankruptcy.

⁶ CFIB. Survey on Recent Changes to Temporary Foreign Workers (TFW) Program, preliminary data from November 7-20, 2024, n = 331.

⁷ CFIB. Survey on Recent Changes to Temporary Foreign Workers (TFW) Program, preliminary data from November 7-20, 2024, n = 574.



Almost half of Canadian small business owners think it is likely the restrictions on hiring TFWs for low-wage positions will put their business at risk of closing



Source: CFIB, Survey on Recent Changes to Temporary Foreign Workers (TFW) Program, preliminary data from November 7-20, 2024, n = 574.
Question: "To what extent could the restrictions on hiring for low-wage positions put your business at risk of closing? (Select one)"

In the face of this concerning data, the FQM and CFIB call on the federal and provincial governments to stop making immigration decisions based solely on political and a few statistical trends that could put thousands of Quebec small businesses at risk.

Immigration and economic development policymakers should start with developing a TFW strategy that supports small businesses rather than hurt them.

INTERPRETING MACROECONOMIC VARIABLES

Macroeconomic variables, such as the unemployment rate, cannot be the only indicators on which policy is based to meet the government's annual TFW targets. Higher rates of unemployment do not necessarily mean businesses have an easier time filling positions.

Employers have no control over the human factors influencing each job seeker. The willingness to train in a particular field or to live in a specific region are personal choices. Aging populations and higher rates of retirement in some regions may also explain the decline in unemployment.


Thus, small businesses in certain regions and industries will continue to struggle to recruit locally, regardless of the economic climate.



FÉDÉRATION
QUÉBÉCOISE DES
MUNICIPALITÉS



In business for your business.



In its October 2024 report on temporary immigration, the Institut du Québec noted:

[Translation] “One could assume that the economic downturn and rising unemployment in Quebec would reduce demand for permits under the Temporary Foreign Worker Program [...]. However, recent monthly data showed that economic conditions had no significant impact. The total number of permits issued in Quebec under the TFWP in 2024 is similar to the number issued in 2023 and remains much higher than in previous years. [...] Persistent labour needs, especially in the regions, appear to be affecting demand more than any potential impacts of the economic downturn.”⁸

MANUFACTURING SECTOR FACING CHALLENGES

Manufacturing businesses are vital economic drivers, creating wealth in many communities. But the manufacturing sector will be hit particularly hard by the new TFWP measures. In the second quarter of 2024, Quebec’s manufacturing sector reported 13,200 job vacancies, despite the contribution of 12,000 TFWs.

On October 16, 2024, Manufacturiers et Exportateurs du Québec (MEQ) penned an open letter drawing attention to the industry’s rapidly aging workforce. MEQ noted that 27.3% of the industry’s workers were aged 55+ in 2023, and that Quebec’s factories will lose 1 in 4 workers within a year’s time.⁹

MEQ also surveyed its members after the restrictions on TFWs were announced, finding that [Translation] “for 80% of manufacturers, the announced restrictions will slow production. Almost 60% will need to postpone or cancel their investment plans [...]”¹⁰ These findings reflect the data from CFIB and FQM member and partner surveys.

Again, these measures will result in an unwanted slowdown in growth and wealth development prospects in the regions.

THE REALITY OF SEASONAL INDUSTRIES IN THE REGIONS

The seasonal nature of several industries in the regions, including agriculture, commercial fishing, and tourism, also significantly affects the availability of local labour as the months they operate overlap. This makes it difficult, if not impossible, to maintain regular and profitable operations without TFWs. Harvest periods for the agricultural industry and catch date ranges for fish and

⁸ IDQ. (October 2024.) *Pourra-t-on réduire l’immigration temporaire ? Et quel est le prix à payer pour le Québec ?* <https://institutduquebec.ca/wp-content/uploads/2024/10/IDQ-202410-IMMIGRATION-TEMPORAIRE.pdf>

⁹ Manufacturiers et Exportateurs du Québec. (October 2024.) *Cessons d’improviser en matière d’immigration temporaire*. <https://meq.ca/initiatives/cessons-dimproviser-en-matiere-dimmigration-temporaire/>


¹⁰ Ibid.



FÉDÉRATION
QUÉBÉCOISE DES
MUNICIPALITÉS



In business for your business.



seafood are also limited. With the added pressure of ongoing labour shortages in these sectors, planning is crucial for employers.

It is critical that current exceptions remain in place for seasonal (and non-seasonal) employment in agriculture; food, fish, and seafood processing; construction; and health care.

Governments must, however, broaden their perspective and better understand the economic consequences for other leading industries in the regions. Tourism, for example, will be greatly affected by the introduction of the new TFW regulations. Assistant cook and housekeeping positions are often difficult to fill locally. According to a September 2024 survey by the Association Hôtellerie du Québec, 75% of respondents said that housekeeping attendant positions are the most difficult to fill in Quebec and 70% reported having vacant positions that were difficult to fill.¹¹

The tourism industry, as a driving economic force for many of Quebec's administrative regions, should not be overlooked. In Gaspésie, for example, the 2023-24 tourism year saw 864,000 visitors, three million overnight stays, and \$525.5 million in economic benefits.¹²

¹¹ Association Hôtellerie du Québec. (October 2024.) *Travailleurs étrangers temporaires : les hôteliers du Québec demandent des assouplissements*. <https://www.hotelleriequebec.com/travailleurs-etrangeurs-temporaires-les-hoteli-ers-du-quebec-demandent-des-assouplissements/>

¹² Duval, J. (May 2024.) *Tourisme : moins de dépenses à destination, mais plus de retombées économiques*. Radio-Canada. <https://ici.radio-canada.ca/nouvelle/2075927/tourisme-inflation-changements-climatiques-hotellerie>



FÉDÉRATION
QUÉBÉCOISE DES
MUNICIPALITÉS



In business for your business.



CONCLUSION

The government's new measures to reduce the number of TFWs in Canada will hinder socioeconomic development in Quebec's regions. The FQM and CFIB maintain that the federal and provincial governments should take swift and concrete steps to better understand the integral role TFWs play in small businesses and our communities.

Decision-makers have an important responsibility to bolster the regions' vitality and Quebec's competitiveness on the global stage. They must help Quebec businesses continue to invest in our regions and maintain the province's international appeal. Reversing these changes to the TFWP would in no way undermine governments' economic credibility—quite the opposite. Our regions and entrepreneurs should not have to pay for strategic errors resulting from improvised public policy on immigration.



RECOMMENDATIONS

Based on this analysis, the FQM and CFIB present four immediate demands to the federal and provincial governments to relieve the stress on our regions' economies, businesses, and workers:

1. Re-establish the two-year maximum employment duration for low-wage positions.

Dropping this maximum from two years to one is a thinly veiled attempt to discourage businesses from hiring TFWs. Hiring a TFW in the low-wage stream of the TFWP costs businesses thousands of dollars and the application process requires significant administrative work. Asking small businesses to repeat the process every year increases their administrative burden.

2. Restore the cap on hiring TFWs for low-wage positions at 20%, at least in the regions, considering that it has been reduced to 10%, across all industries and regardless of employment length.

3. Limit the hourly wage increase for the high-wage stream to 5% rather than 20%, which represents an hourly wage of \$28.84.

As of November 8, 2024, businesses must offer a minimum of \$32.96/hour for high-wage positions. This is an unreasonable ask when a shortage of working capital is already significantly limiting small businesses' sales and production growth.

4. Regarding the refusal to process Labour Market Impact Assessment (LMIAs) applications low-wage jobs in census metropolitan areas (CMAs) with an unemployment rate of 6% or higher:

- Increase the unemployment rate threshold to 7% rather than 6%.
- Exempt communities near big cities within census metropolitan areas.
- Exempt all permit applications for seasonal positions (no more than 270 days per year) from this measure.

