

# Taking the Temporary Out of the TFW Program

*Breaking myths about the shortage of labour and the Temporary Foreign Worker Program*

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Many small and medium- sized enterprises (SMEs) across Canada are struggling to find and retain qualified employees. Small business owners are doing what they can to attract Canadian workers to job openings, with varying success. Some have looked to the Temporary Foreign Worker Program (TFWP) to remedy their staffing struggles and it has helped many smaller firms survive and grow, thereby preserving and creating jobs for Canadians. This report explores the views of SMEs on the TFWP and how it might be improved. It also suggests ways to allow businesses with a legitimate need and solid track record to access the TFWP while ensuring job opportunities are made available to Canadians.

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## Introduction

To be successful, Canada's small and medium- sized businesses need to be able to hire qualified people. Too often, however, business owners struggle to find positive, productive, and reliable employees. As a result, those businesses struggle to grow, and in many cases, even survive.

CFIB has been actively working on labour and skill shortage issues for many years now, and it is clear there is no single solution to the serious challenges many employers face when looking for qualified people. Rather, it will take a comprehensive set of aligned strategies on reforming Canada's permanent immigration system, creating better workplace training and apprenticeship

programs, connecting youth, older workers and disabled Canadians with employment opportunities, and ensuring aboriginal people are more fully participating in our country's workforce.

Even if these long-term strategies are fully implemented, however, Canada's aging demographics and evolving skill needs will continue to require the Temporary Foreign Worker Program (TFWP) to be a lifeline for certain small- and medium-sized businesses.

In 2013, the TFWP received negative media attention related to misuse of the program by a few firms. The resulting controversy led to changes by the federal government that made the program even slower and more costly for SMEs that have been unable to find Canadians to hire and have a legitimate need to access the TFWP.<sup>1</sup> Since then, the government went even further by imposing a moratorium on the food services sector. More recently, the government imposed sweeping changes to the program that virtually cuts off access to the program for large numbers of business.

This report examines the role of the TFWP in helping some entrepreneurs find the qualified people they need to grow their businesses, build the economy, and support our communities by countering some of the allegations levelled on the program in recent months from the perspective of SMEs.

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## **The Real Story: A small business perspective on labour shortages and the TFWP**

Along with the negative media attention on TFWP, many sweeping generalizations are being made about the TFWP and the employers that use it. It is time for a reality check. As this report will clearly show, only a small proportion of SMEs access the TFWP, but those that do have a legitimate need. Considering all the cost and complexity of using the program, those small businesses that utilize the TFWP are doing it as a last resort to find qualified workers to meet their needs.

Unfortunately, during the public discourse about the TFWP, some union leaders and other commentators have been unknowingly, or perhaps deliberately, spreading myths about the program and disparaging smaller firms in the process.

CFIB published a book of member stories in a report in 2013 titled *Making it Work*, to help set the record straight on the real purpose of the TFWP and why it is so essential to the small businesses that rely on it. The stories come from across the country and feature a variety of very different businesses, all of which depend on the TFWP for their own unique reasons.

We encourage readers of this report to review *Making It Work* for a fresh, first-hand perspective on foreign workers and their importance to the Canadian economy, our communities, and the viability of many small and medium-sized businesses.

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<sup>1</sup> Appendix A has further information on the TFWP process as well as information provided by the government that puts into perspective the total number of TFWs currently in Canada.

They claim there are no labour or skills shortages. They assert business owners don't do enough to try and hire Canadians, and that foreign workers are taking jobs from Canadians. They claim TFWs are a source of "cheap labour" for business owners, are treated poorly, and that the businesses do little to nothing to help them get settled.<sup>2</sup>

Our findings run counter to these claims. This report will reinforce the reasons why some SMEs access the TFWP, and show the positive impact that TFWs have on small firms and their local communities.

## REALITY CHECK #1: There is a serious and growing shortage of qualified workers for SMEs

Some economists and commentators have disputed whether there is a labour or skills shortage in Canada. That is certainly not the view of Canada's entrepreneurs, who say there is a serious and growing shortage of qualified people in many sectors and regions of the country. Even when business owners do find a potential employee, they often invest in training them to the needs of the position, only to have them lured away by big business or government with the promise of higher salaries and more benefits.

According to the latest survey results, 51 per cent of small business owners across Canada say the shortage of qualified labour is a high priority issue for their businesses<sup>3</sup>. Not surprisingly, concern about the shortage of qualified labour issue is highest in the three provinces that have had the fastest growing economies over the past few years: Alberta, Saskatchewan, and Newfoundland and Labrador.

Figure 1

What factors limit your ability to increase sales or production? (% response)



Source: Business Barometer, September 2014, n=1022

<sup>2</sup> For one example, see "Temporary foreign workers program a 'train wreck,' says labour leader", *Edmonton Journal*, May 15, 2014

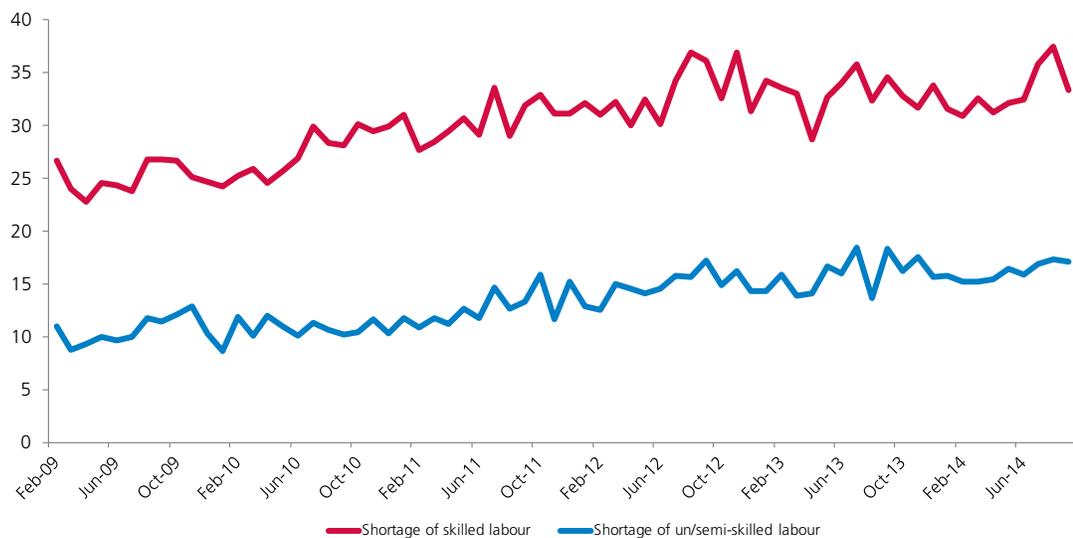
<sup>3</sup> CFIB, Our Members' Opinions, July-December 2013, 19153 responses

Additionally, the monthly CFIB Business Barometer reveals the shortage of skilled labour is currently the biggest challenge for business owners. One-third say the shortage of skilled labour is constraining their production or sales, while 17 per cent say the shortage of un/semi-skilled labour is an issue (Figure 1). These percentages are even higher in the faster growing provinces.

These concerns are widespread and significant. Figure 2 shows the evolution of this concern from a national perspective since the worst of the recession. There was a clear upward trend in SMEs' concerns over the shortage of skilled and un/semi-skilled labour from 2009 to early 2013, and has not diminished significantly since then.

Figure 2

Evolution of business owner concern on shortage of skilled labour and un/semi-skilled labour, 2009-2014 (% response)



Source: Business Barometer, Feb 2009 - Sept 2014

*“Our main problem is finding workers who are reliable, skilled and willing to work...In our area there is a severe shortage of qualified workers in all trades.”*

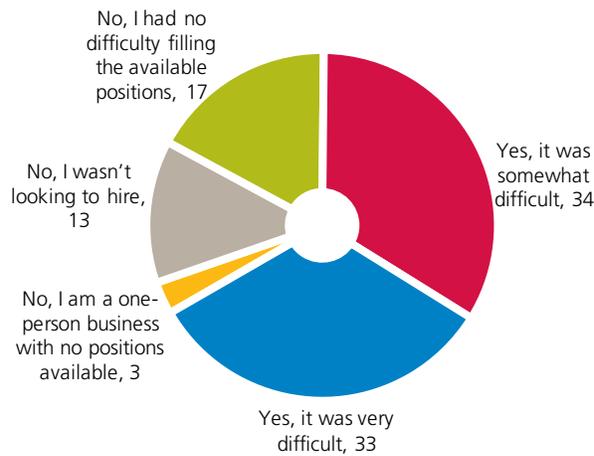
- Construction member, Northwestern Alberta

When asked directly about hiring difficulties, two-thirds of SMEs surveyed said that they had found it somewhat (34 per cent) or very difficult (33 per cent) to hire new employees in the past three years (Figure 3).

When focusing only on businesses with employees that were looking to hire in the past three years, the percentage of business that had experienced difficulties jumps to 79 per cent.

Figure 3

During the past three years, have you had difficulty hiring employees?  
(% response)



Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=6,625

CFIB produces a series of quarterly reports entitled *Help Wanted*, which looks at private sector job vacancies. Vacancies are defined as private sector job openings that have been unfilled for at least four months because business owners have been unable to find suitable employees.<sup>4</sup> The report examines job vacancies by province, industry, and size of firm (Table 1). The main finding of the latest *Help Wanted* report shows that private sector job vacancy rates are highest:

- ▶ In Alberta and Saskatchewan;
- ▶ Among the smallest firms; and
- ▶ Within the personal services, construction, and hospitality sectors.

Table 1

### Private sector job vacancies by province, Q3 2014

	Rate*	Chg**	Number
Canada	2.7%	+0.1	322,200
Newfoundland & Lab.	2.7%		4,100
Prince Edward Island	2.1%	-0.1	900
Nova Scotia	1.9%	-0.1	5,400
New Brunswick	2.1%		4,600
Quebec	2.4%	-0.1	63,200
Ontario	2.3%		105,900
Manitoba	2.8%		11,700
Saskatchewan	3.7%	+0.1	12,600
Alberta	3.9%		66,700
British Columbia	3.0%	+0.1	47,100

\* Vacancies as percentage of total filled & unfilled jobs

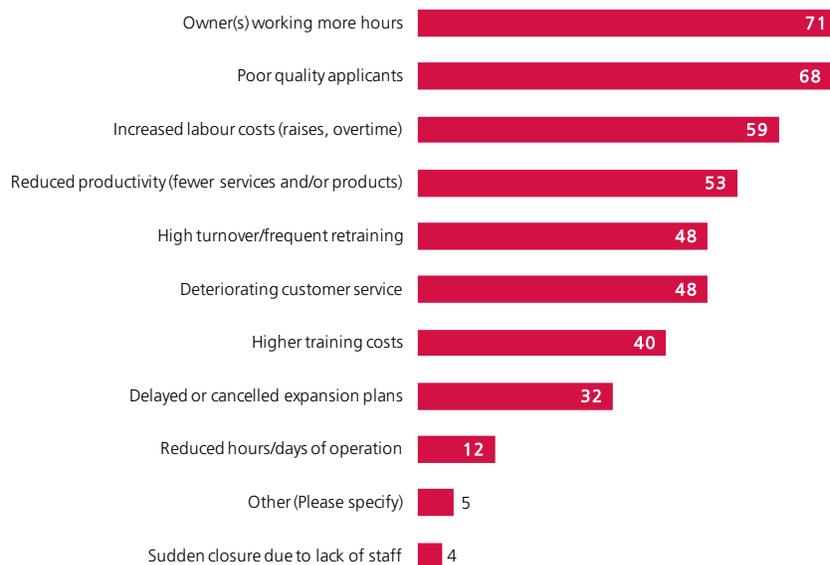
\*\* Change in rate from the revised previous quarter

<sup>4</sup> CFIB's *Help Wanted* report is based on CFIB survey data, weighted according to Statistics Canada's *Survey of Employment, Payroll and Hours*.

Clearly there is an issue here and it is having a big impact on small business owners. According to a survey of CFIB members in Western Canada from September 2012, 71 per cent of business owners reported working longer hours when they are unable to hire qualified staff (Figure 4). More than two thirds (68 per cent) say they are forced to choose from a pool of poor quality applicants, and more than half (53 per cent) faced increased labour costs and reduced productivity as a result. Other impacts on businesses included high turn-over and frequent retraining (48 per cent), higher training costs (40 per cent), having to delay or cancel expansion plans (32 per cent), reduced hours/days of operation (12 per cent), and sudden closure due to lack of staff (4 per cent). The fact that almost one-third of firms across the West say they have delayed or cancelled expansion plans speaks to the opportunity cost for our economy due to the shortage of qualified labour.

Figure 4

### How has the difficulty in hiring affected you and your business? (% response)



Source: CFIB, *Labour Shortages and Immigration Survey*, September 2012, n=2,632

Customers are also feeling the effects. Forty-eight per cent of business owners believe deteriorating customer service is a by-product of labour shortages. Perhaps even more troubling is that over half of small and medium-sized businesses in the Western provinces and territories say they have passed up business opportunities because of a shortage of qualified people.<sup>5</sup>

The bottom-line: regardless of what some commentators might say, based on the growing body of evidence there is clear and quantifiable evidence that a shortage of qualified people is having a serious impact on the success of many small- and medium-sized businesses in many parts of Canada.

<sup>5</sup> CFIB, *Looking for Hire Ground* report, March 2013

## REALITY CHECK #2: SME owners are focused on finding and retaining Canadian workers first

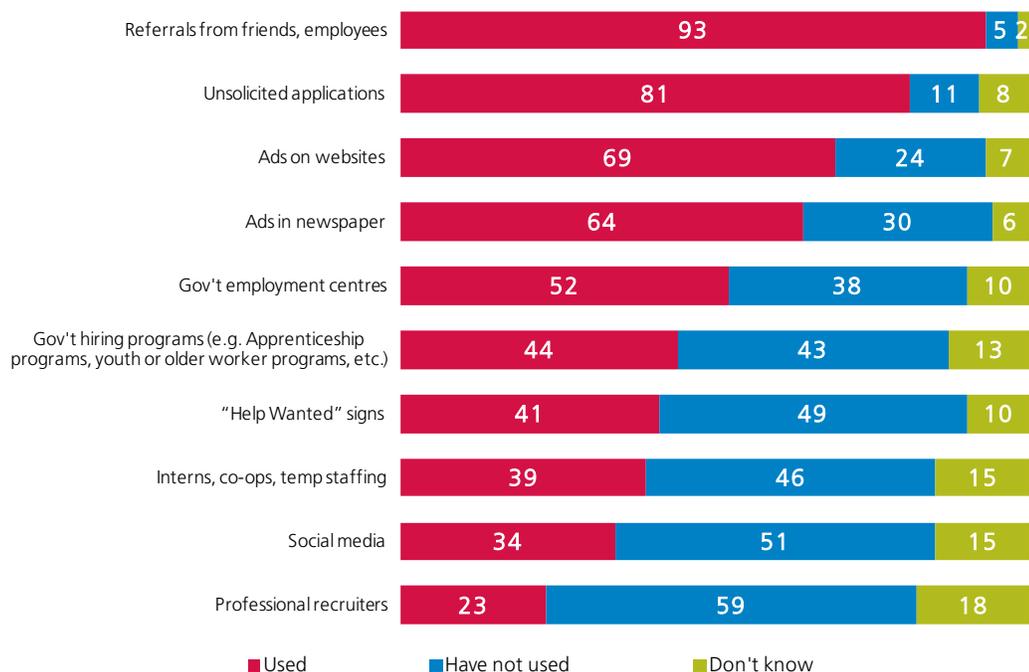
Some commentators who deny there is a shortage of labour also claim that businesses are not doing enough to attract and retain Canadian workers. In reality, nothing could be further from the truth.

Entrepreneurs, especially those who run small and medium- sized businesses, are looking far and wide to find qualified employees. When asked about their efforts to find employees, small business owners are utilizing a long list of methods to attract Canadian applicants (Figure 5).

Ninety- three per cent say they utilize referrals from friends and employees, 81 per cent receive unsolicited applications, 69 per cent use online ads, and 64 per cent still place ads in newspapers. Many business owners are also trying to use government employment centres (52 per cent) and hiring programs (44 per cent).

Figure 5

### SME search strategies for new employees (% response)



Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=4661

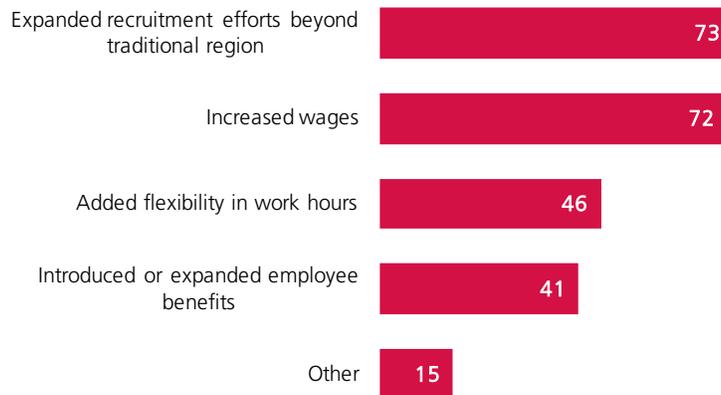
One often repeated comment made by critics of the TFWP is that businesses simply need to pay more to attract Canadian workers. However, small and medium- sized businesses typically operate in highly competitive markets and have limited ability to increase prices to compensate for higher labour costs.

The majority of entrepreneurs are doing a wide range of things to attract and retain as many Canadian workers as possible, including increasing wages and adding or expanding benefits (Figure 6). Small business owners that attempted to access the

**TFWP were asked:** “Prior to looking for workers through the TFWP, what steps did your business take to retain existing staff or attract new workers?”

Figure 6

### Steps taken to attract and retain Canadian workers (% response)



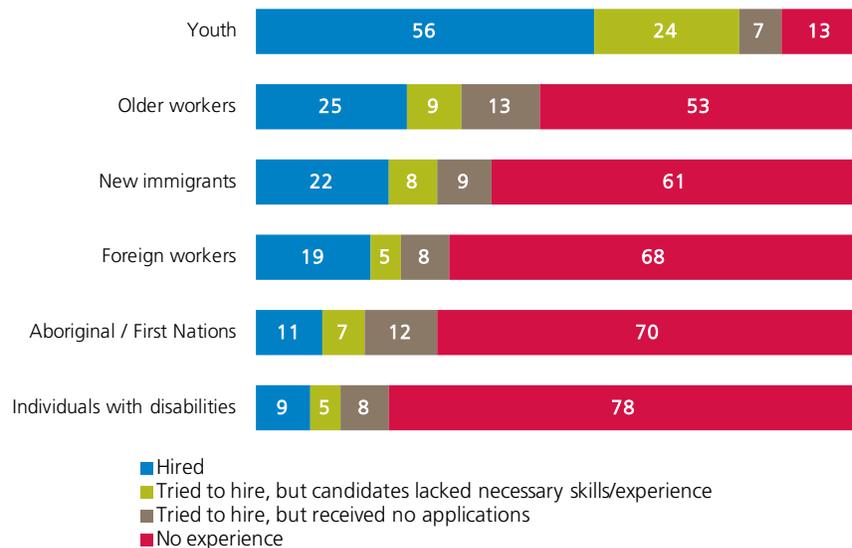
Source: CFIB, *Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=667*

Almost three-quarters (73 per cent) said they had expanded their recruitment efforts beyond the traditional region. Another 72 per cent reported to have increased wages, 46 per cent mentioned adding flexibility in work hours, while 41 per cent stated they had introduced or expanded employee benefits (Figure 6). Clearly, SMEs are making attempts and trying a variety of methods to hire Canadians first.

**There has been a great deal of discussion on the supposed stagnation of wages in entry-level positions. In Appendix B of this report, CFIB Chief Economist Ted Mallet reviews the misleading claim that median wages in Alberta’s hospitality sector had increased by only 8 per cent from 2006 to 2013.**

Other commentators have suggested that entrepreneurs are not doing enough to employ people from Canada’s under-represented groups, such as youth, aboriginals, older workers, and individuals with disabilities. In fact, the latest survey data confirms many smaller firms are indeed trying to hire from under-represented groups (Figure 7). In fact, the vast majority (87 per cent) have tried to hire youth, almost half (47 per cent) have tried hiring older workers, 39 per cent have tried to hire new immigrants, 30 per cent have tried to hire aboriginals, and 22 per cent have tried to hire people with disabilities.

Figure 7

Hiring employees from under-represented groups<sup>6</sup> (% response)

Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=4557

While they could always do more, many SMEs are doing what they can to find the Canadian workers they need, but sometimes it is still not enough. That is why the TFWP is so important for certain SMEs.

*"In spite of tremendously expanded advertising efforts, I simply don't get the resumes. It costs me more to hire [a] TFW. It requires much more time and energy. I would happily hire Canadians. I simply cannot find enough of them to keep my business running."*

- Food services member, Balfour, BC

### REALITY CHECK #3: Only a small proportion of SMEs utilize the TFWP

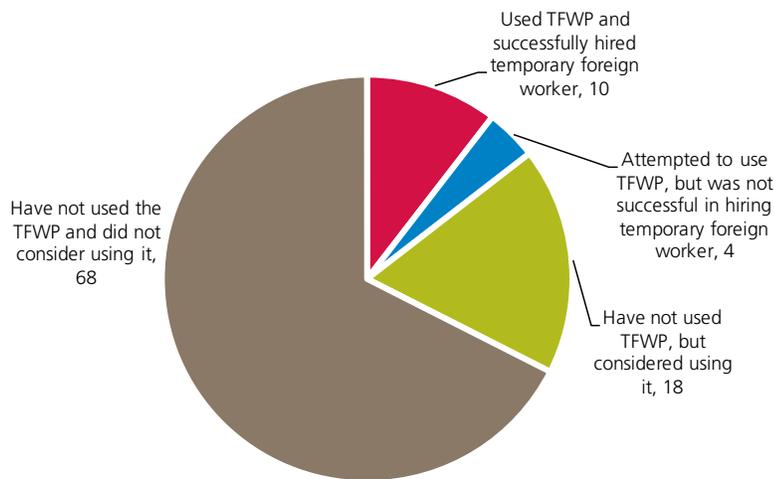
There seems to be a misconception in some quarters that the TFWP is being widely utilized by small and medium-sized businesses. However, a closer look reveals that not only has the vast majority (68 per cent) of SMEs not used the TFWP, they have not even considered using it (Figure 8).

Eighteen per cent of business owners said they have not used the program, but might consider it. Only 14 per cent of all entrepreneurs surveyed say they have attempted to access the TFWP. Broken out further, only 10 per cent said they have successfully hired someone through the program, while another 4 per cent have attempted to access it, but were not successful in hiring workers.

<sup>6</sup> In the survey, youth were described as under 25 years old, older workers as 60 years of age or older, new immigrants as permanent residents and new Canadians who moved to Canada within 5 years from when they were hired, and foreign workers as foreign nationals with a permit to work in Canada.

Figure 8

**Utilization of the TFWP by SMEs (% response)**

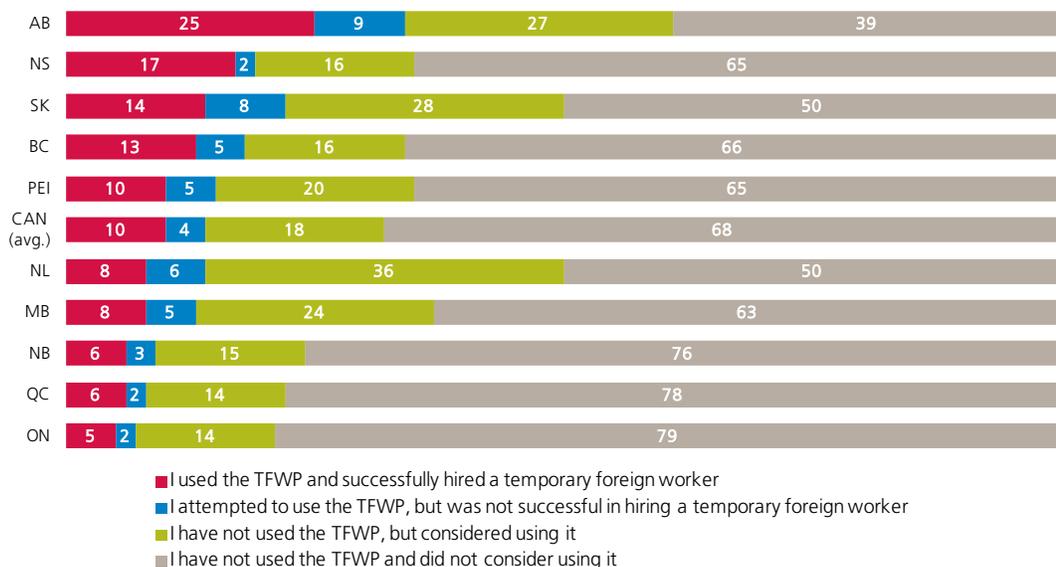


Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=4736

Use of the TFWP is higher in those provinces where economic growth has been most robust over the past few years (i.e. Alberta and Saskatchewan). In the comments section of the survey, many members who own and operate small businesses in rural areas say they struggle with finding people to do the required work, regardless of wages or benefits offered. Figures 9 and 10 reinforce the link between the shortage of labour problem and usage of the TFWP by comparing the responses from those businesses that said they had great difficulty hiring and their use of the TFWP, compared to the overall business population’s use of the program. The greater the shortage of labour, the more likely they are to make use of the TFWP.

Figure 9

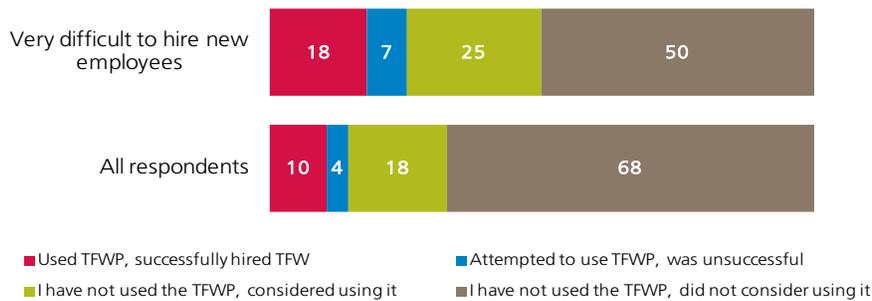
**Utilization of the TFWP by SMEs (by province, % response)**



Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=4736

Figure 10

**Utilization of the TFWP by SMEs with great difficulty hiring (% response)**



Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=1891

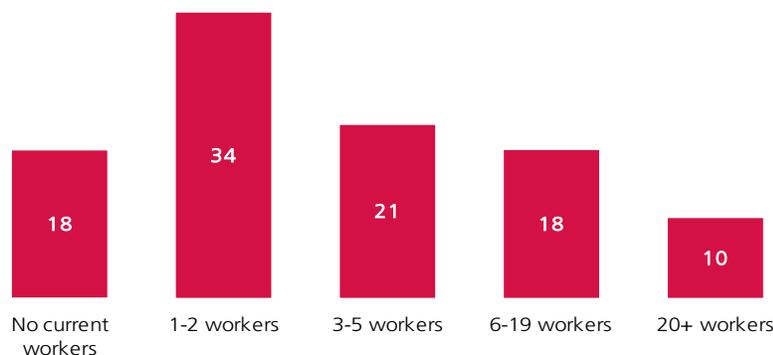
In all, 50 per cent of respondents who said they had experienced great difficulty hiring in the past three years had at least considered using the TFWP, compared to 32 per cent of all respondents. It is clear that the more urgent the staffing need, the stronger the interest in the program. But even among those experiencing greater difficulty in hiring, only 18 per cent actually ended up using it to employ a foreign worker; 82 per cent of businesses experiencing great difficulties hiring did not.

**REALITY CHECK #4: Most employers that access the TFWP hire only a few workers**

Some believe employers are bringing in legions of TFWs and displacing Canadians, but that is not the case. Overall, the median number of TFWs is two per business. Almost one in five businesses (18 per cent) that have hired foreign workers in the past does not employ any now (Figure 11).

Figure 11

**Number of TFWs currently employed by SMEs that have experience with TFWP (% response)**



Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=487

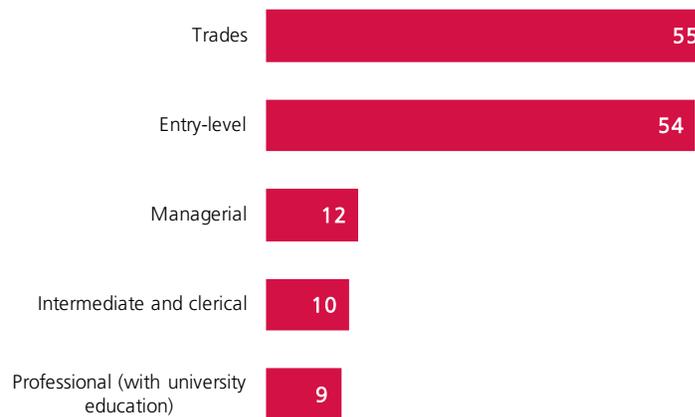
In addition, one-third (34 per cent) of employers who currently use the program only employ one or two workers through the TFWP. Another 21 per cent hired three

to five workers. Therefore, almost three-quarters (73 per cent) of employers that have accessed the TFWP in the past three years have five foreign workers or less.

When looking at the data by industry, the hospitality and agriculture sectors have the highest reported numbers of TFWs, which is logical as these industries can be very labour-intensive. When analyzing the type of job being filled, two main types of positions emerge: skilled trades and entry level jobs (Figure 12).

Figure 12

### Types of occupations filled or attempted to be filled with TFWs (% response)



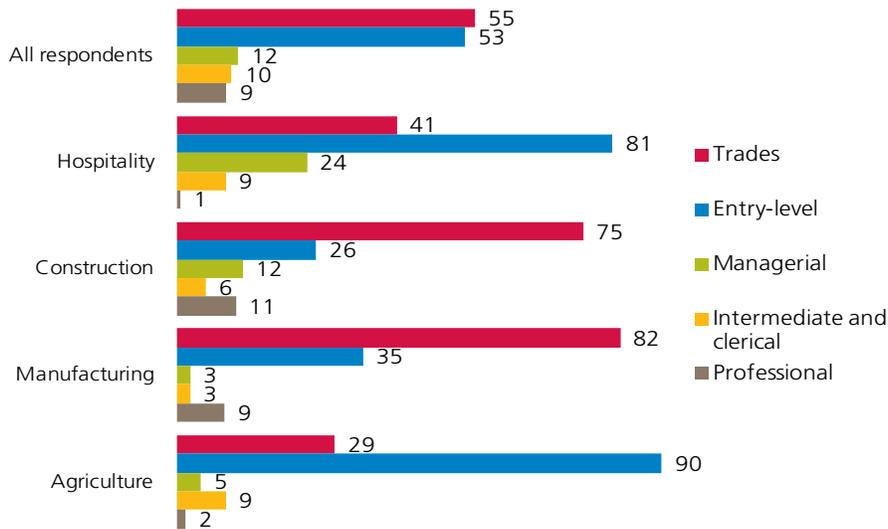
Source: CFIB, *Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=660*

Most businesses (55 per cent) participating in the TFWP said they had either filled or tried to fill skilled positions in the trades, while another 54 per cent said they had filled entry-level positions (Figure 12). Another 12 per cent said they were filling or trying to fill managerial occupations, and 9 per cent identified professional occupations that require a university education.

Looking at the data by sector shows that needs for different types of workers will vary significantly depending on the industry in question (Figure 13). For example, over three quarters of firms in the construction and manufacturing sectors said they have filled or tried to fill open positions in the trades sector, while 81 and 90 per cent of respondents in the hospitality and agriculture sectors said their main focus was workers with entry-level skill sets.

Figure 13

**Types of TFW occupations requested, by business sector (% response)**



Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=660

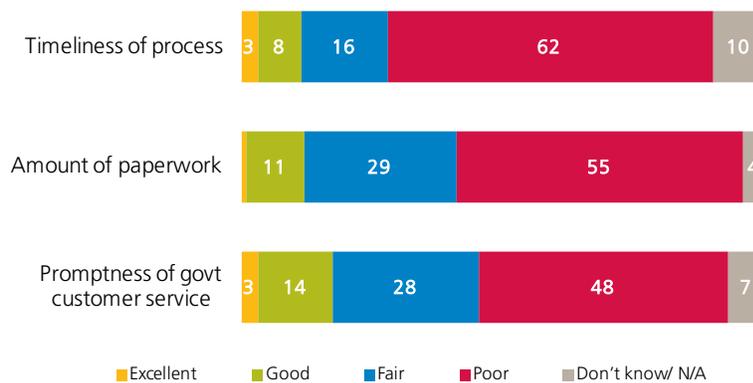
**REALITY CHECK #5: The TFWP is neither quick nor easy to access**

The assumption that the TFWP can be quickly accessed to avoid paying competitive wages relies on at least two false premises: 1) that it is easy to apply for the program and get government approval; and 2) that businesses can bring in foreign workers in a short period of time. Neither of these assumptions is true.

When users of the TFWP were asked about its various aspects, the most negative responses were attributed to timeliness and complexity with 62 per cent and 55 per cent respectively saying these aspects were “poor” (Figure 14).

Figure 14

**Small business views on timelines, paperwork and promptness of government service associated with TFWP process (% response)**



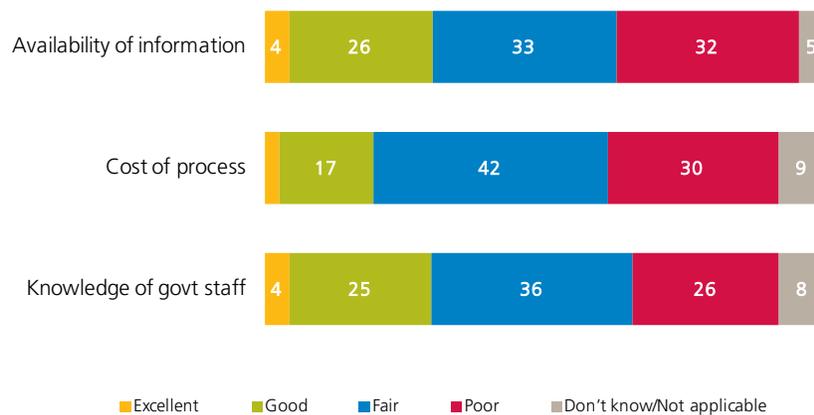
Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=657

The promptness of government service was also rated poorly, with almost half of respondents saying this aspect was “poor”. Small businesses that use the TFWP say these three areas (i.e. timelines, paperwork and promptness of government service) would be the place to begin to look for administrative process improvements.

Business owners were also asked about the availability of information, cost of the process and knowledge of government staff associated with the TFWP. The feedback was somewhat more positive (Figure 15), with slightly less than a third of respondents saying the availability of information and knowledge of government staff were “excellent” or “good”. While knowledge of government staff was the best rated attribute, still one in four SMEs found it to be poor, indicating there is still room for improvement.

Figure 15

### Small business views on availability of information, cost and knowledge of government staff associated with TFWP process (% response)



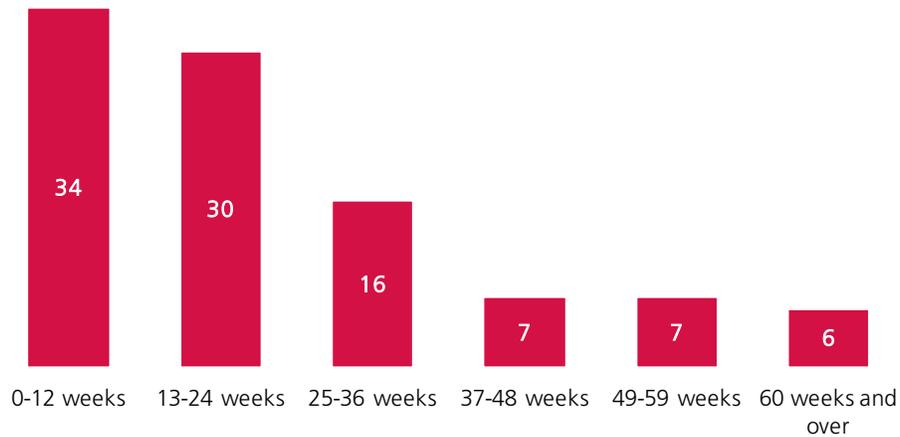
Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=657

Small business owners who were not successful in hiring someone through the program were asked why they were unable to staff their positions through the TFWP. The top three reasons were: “process was too long” (64 per cent), “confusing paperwork” (41 per cent), and finally 39 per cent said their Labour Market Opinion (LMO) was not approved by the government.

Business owners were also asked how many weeks it takes them to hire a TFW, from filling out the required documentation (i.e. completing the LMO paperwork) to the TFW’s first day on the job (Figure 16). Incredibly, in more than one-third (36 per cent) of all cases, the whole process was reported to take 25 weeks or more – that is, at least six months. Only about one-third (34 per cent) of respondents said the process took less than twelve weeks.

Figure 16

### TFW Program processing times (average number of weeks to hire a TFW) (% response)



Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=456

## REALITY CHECK #6: Temporary foreign workers are more expensive to hire than Canadians

One of the most common myths about the TFWP is that temporary foreign workers are a source of cheap labour for businesses and Canadian workers are being overlooked as a result. In fact, according to the survey data, the reality is just the opposite. Before a business owner can hire a foreign worker, they typically have to take a series of steps, including:

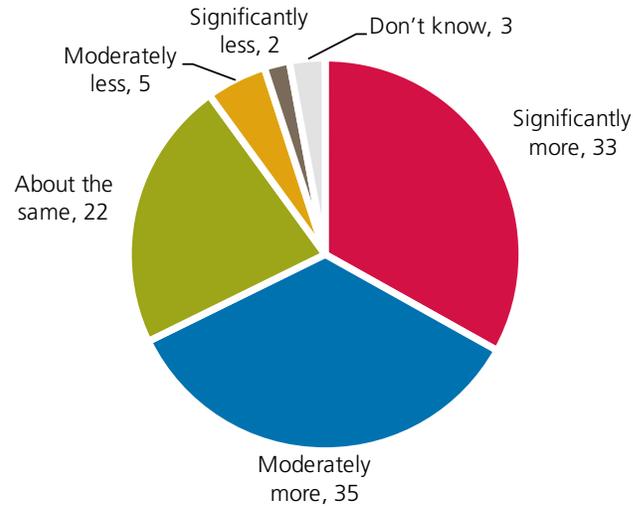
- ▶ Advertising across Canada, including through the EI system
- ▶ Having the proposed wages for the foreign worker approved by the federal government
- ▶ Paying for return airfare
- ▶ Assisting with finding accommodation

Recruiting fees also often have to be paid, reported to be \$5,000- 10,000 per worker.

Business owners were asked the following question in CFIB's survey: "*In general, how does the cost of employing a TFW compare with the cost of employing a Canadian worker (including salary, recruiting, time spent on paperwork, and other associated costs to hire and retain workers)?*"

Sixty-eight per cent of business owners said TFWs cost either significantly more (33 per cent) or moderately more (35 per cent) than Canadian workers, 22 per cent said the costs were the same, while only 7 per cent believe Canadians cost more (Figure 17).

Figure 17

**Cost of hiring and retaining TFWs vs. Canadians (% response)**

Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=480

It's important to note that these results are relatively consistent across the country, suggesting that the cost discrepancy has less to do with worker rules specific to each Canadian province, and more to do with the cost of complying with TFWP requirements.

Even hospitality and agricultural businesses – sectors that bring in more low or semi-skilled workers than others – said their TFW costs were much higher than if they had hired Canadian workers. Almost half (48 per cent) of hospitality businesses said TFWs cost significantly more. Clearly, most Canadian small businesses would much prefer to hire Canadians, given the choice.

*“The program is very expensive with extensive red tape and is and will always be the recruitment option of last resort. It will always be in the economic interest of small businesses to hire Canadians when and where possible without further hurdles or restrictions on the TFW program.”*

- Quick service restaurant member, Yellowknife, NWT

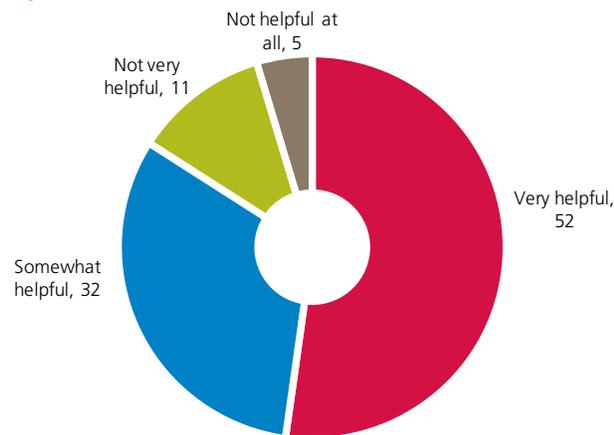
All of these survey results show that the TFWP is a slow, bureaucratic, and expensive program for business owners to use. This leads to the question as to why an employer would even go through the process if a Canadian was available and willing to work.

## **REALITY CHECK #7: Access to temporary foreign workers helps preserve Canadian jobs**

Businesses that apply for the TFWP and bring in foreign workers see a wide range of benefits, not only for the business, but also for Canadians working in that firm. In fact, 84 per cent found it to be somewhat (32 per cent) or very (52 per cent) helpful in addressing their hiring difficulties (figure 18).

Figure 18

### How helpful was the TFWP in addressing your hiring difficulties? (% response)

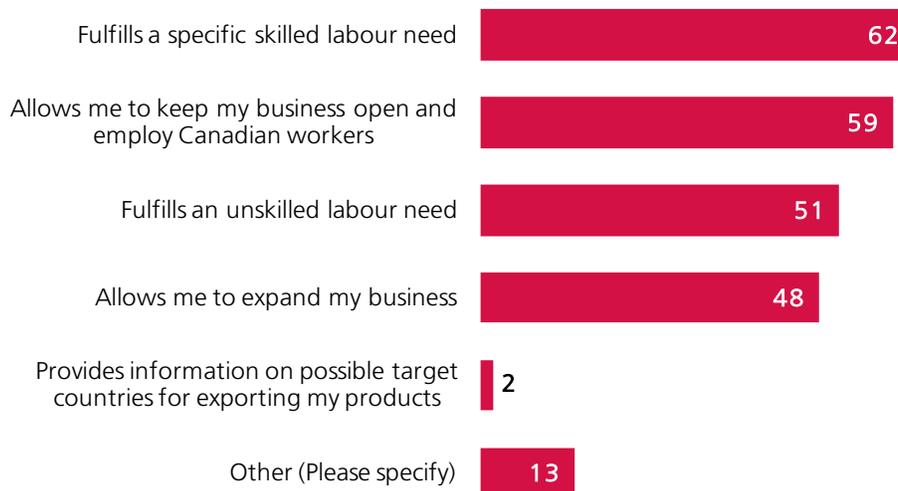


Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=496

Business owners were also asked: “How does hiring a TFW benefit your business?” Sixty-two per cent said it filled a specific skilled labour need, while 51 per cent stated it was to fill an unskilled labour need (Figure 19).

Figure 19

### Benefits of hiring foreign workers (% response)



Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=480

It is important to note almost six in ten (59 per cent) respondents agreed that having access to temporary foreign workers had allowed them to keep their businesses open and keep the Canadian workers in those businesses employed. Another 48 per cent believed it allowed them to expand their businesses. Respondents also said:

- “Prior to hiring TFW’s I was working 70+ hours a week, 7 days a week, going 3-4 months without a day off..... I would be forced to either overwork the staff I had

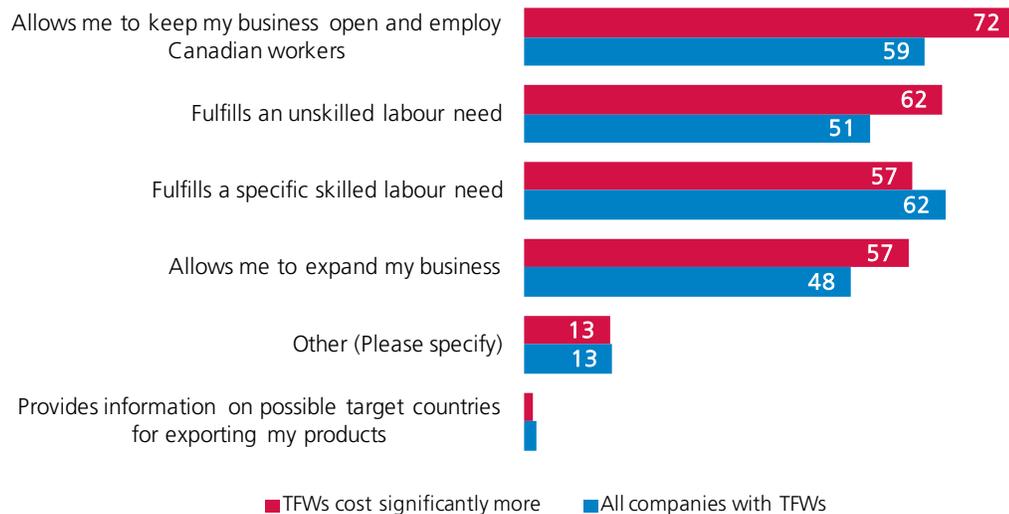
*until they quit or be forced to close because we did not have enough staff to stay open.”*

- *“Allows me to solidify staffing at current businesses so that I can open new businesses. Current environment has lead to deferring open new businesses as supply of labour and TFWs has been reduced.”*
- *“Allows me to improve customer service, reduces stress on Canadian employees, increases sales and creates more jobs.”*
- *“Hiring a TFW allows us to use the TFW to train others so more people develop this skill set.”*
- *“Continuity in service standards, less interruptions, allows for us to focus on the business rather than crisis management.”*

Firms paying “significantly more” for TFWs (Figure 20) see the program and foreign workers as even more beneficial. They are more likely to employ Canadians (72 per cent) and expand their operations (57 per cent) when bringing in TFWs when compared to the whole sample (59 per cent and 48 per cent, respectively).

Figure 20

### Benefits of hiring foreign workers for firms paying “significantly more” for TFWs (% response)



Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=159

*“It would be a disaster if we could not access the TFWP. We would not be able to maintain production because of the local shortage of workers. We would therefore have to close the company, and our Québécois workers would be laid off.”*

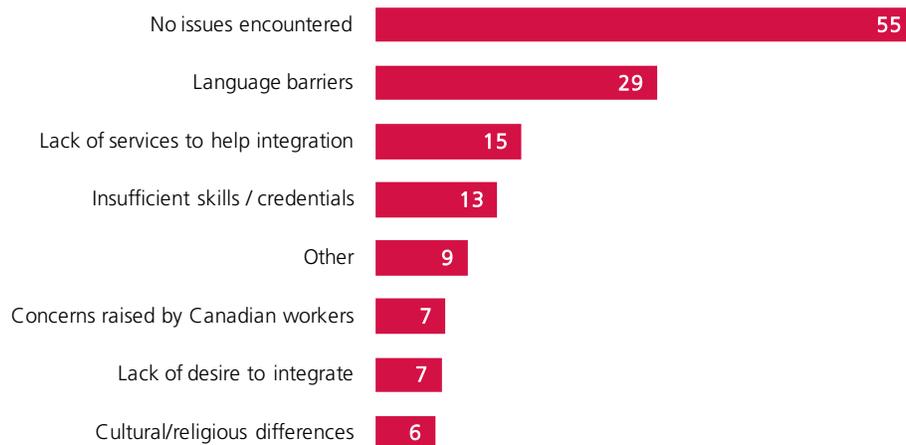
*- Agricultural member, Rive-Nord area, Québec*

## REALITY CHECK #8: SME owners are helping TFWs integrate into the business and local community

There are concerns with potential problems related to the settlement and integration of TFWs into local communities. According to CFIB survey data, these concerns are highly exaggerated. In response to the question: “What issues, if any, have you encountered in having TFWs in your business?” the majority of business owners said there had been no issues at all (see Figure 21).

Figure 21

### Issues related to integrating TFWs into business and local community (% response)



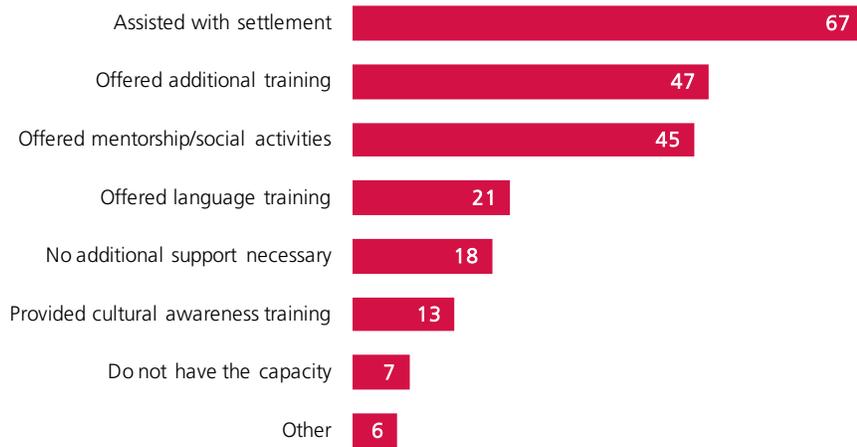
Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=456

Another 29 per cent identified language barriers, something that is to be expected at some level as the TFWs get used to living in Canada and speaking English or French more often. Fifteen per cent of respondents identified a lack of services to help the TFWs integrate. Only seven per cent of those surveyed identified concerns raised by the Canadian workers in those businesses as an issue.

There is also another perception, which sees business owners bringing TFWs into Canada, and then leaving them to their own devices to get settled into the local community. The survey results do not bear this out. Entrepreneurs were asked: “What has your business done to help TFWs employed at your workplace integrate into your business and/or community?” (Figure 22)

Figure 22

**Steps taken to integrate TFWs into local economy and community (% response)**



Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=454

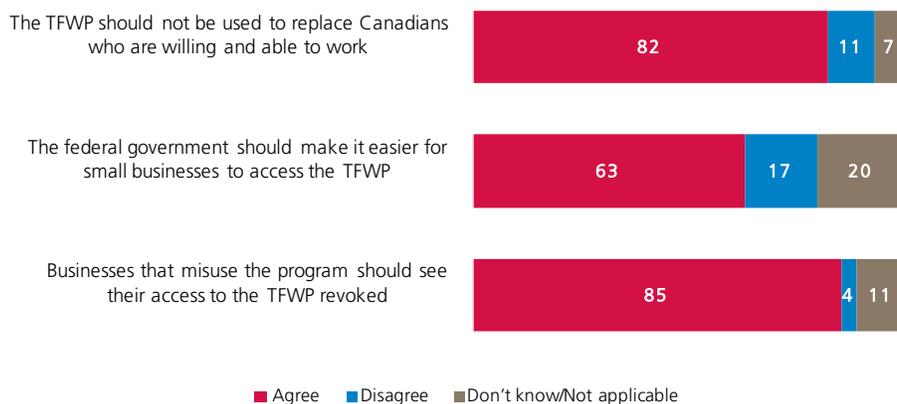
Two-thirds (67 per cent) said they helped the TFWs get settled, almost half (47 per cent) offered additional training, and 45 per cent arranged for mentorship and social activities (Figure 16). Only 18 per cent said no additional support was necessary.

**REALITY CHECK #9: SME owners say the TFWP should be used for legitimate needs, while punishing misuse**

We have alluded in this report to various allegations of employers misusing the TFWP, made by groups looking to shut down or severely limit the program. We believe the data in this report shows that going through the TFWP process is not easy, nor cost-effective. However, many observers would be surprised at how closely the views of Canadian business owners mirror the public’s general concerns about the program.

Figure 23

**Business owner views on the following statements (% response)**



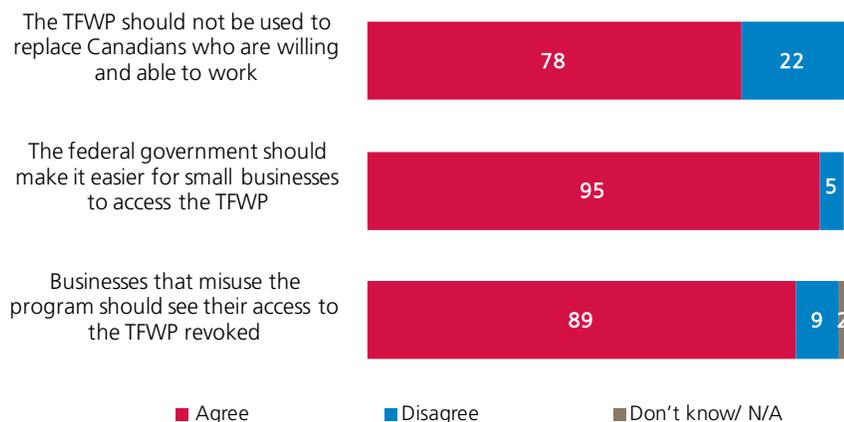
Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=4729

Eighty-two per cent of survey respondents (both those businesses that use the program and those that do not) said the TFWP should not be used to replace Canadians who are willing and able to work (Figure 23). Entrepreneurs also took a strong stance against those who break the TFWP rules. An overwhelming majority (85 per cent) supported revoking access to the program for those businesses that misuse the program. Member comments in the survey reveal that they believe those business owners who follow the rules and have a legitimate need should be able to access the program in a responsible, timely manner. Finally, 63 per cent of business owners surveyed said the government should create easier access for smaller firms, only 17 per cent disagreed, and 20 per cent were unsure.

Support for fairness and accountability in the program was just as important for those bringing in foreign workers as it was for the general business population (Figure 24). Almost nine out of ten respondents (89 per cent) who use the system said access to the program for those businesses that misuse the program should be revoked. Almost four out of five (78 per cent) said that Canadians that are willing and able to work should not lose their jobs to TFWs.

Figure 24

**View of businesses currently utilizing the TFWP on the following statements (% response):**



Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=490

*“Abusers must be stopped and Canadians must have access to jobs, but where there are no workers this program must fill the need. Nothing else works.”*

- Retail member, Fort St-John, BC

## Impact of April 2013 reforms

In April 2013, the federal government announced a series of significant changes to the TFWP. There is little doubt these changes have had a negative impact on the SMEs that use the program. The following sections present further information specific to some of the changes.

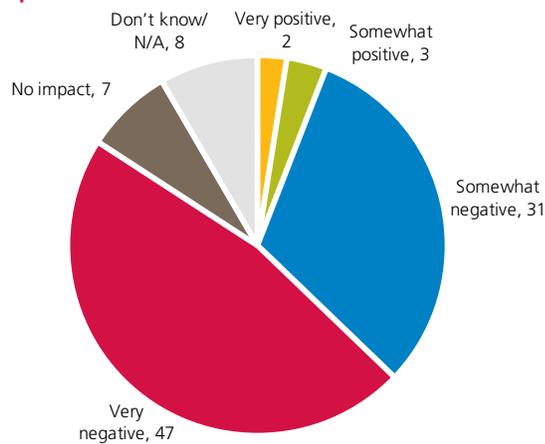
## User fees

One of the high profile changes was the introduction of a new non-refundable user fee of \$275 per position requested, that was more recently hiked to \$1,000 plus an additional \$100 administrative fee. While this may not seem like an unreasonably high amount – especially if the need in some cases is dire – the total amount will quickly add up, without any guarantee of success. The fees are non-refundable, even if the application is denied.

When asked about the impact of the \$275 fee, more than three-quarters of entrepreneurs surveyed said they expect a “very negative” (47 per cent) or “somewhat negative” (31 per cent) impact. Only five per cent said the new fees would have a positive impact, and another seven per cent stated they would have no impact at all (Figure 25). No doubt, the \$1,100 fee would be viewed even more negatively.

Figure 25

### Impact: Introduction of new user fees (% response)



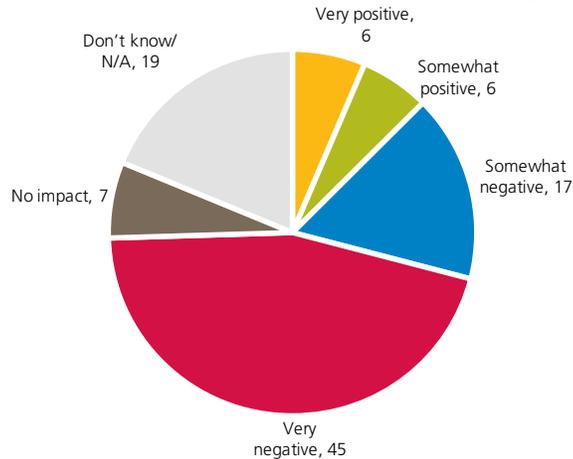
Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=645

Hospitality firms viewed the change very negatively, with over 62 per cent of firms saying they would expect it to have a very negative effect on their operations, compared to 47 per cent of the overall group saying the same thing.

## Accelerated-LMO (A-LMO) program

When asked about the elimination of the accelerated labour market opinion (A-LMO) process, 45 per cent of business owners said they expect it would have a “very negative” impact (Figure 26). Seventeen per cent said they expected it would have a “somewhat negative” impact, while only 12 per cent expected either a “positive” or “very positive” impact.

Figure 26

**Impact: Suspension of A-LMO program (% response)**

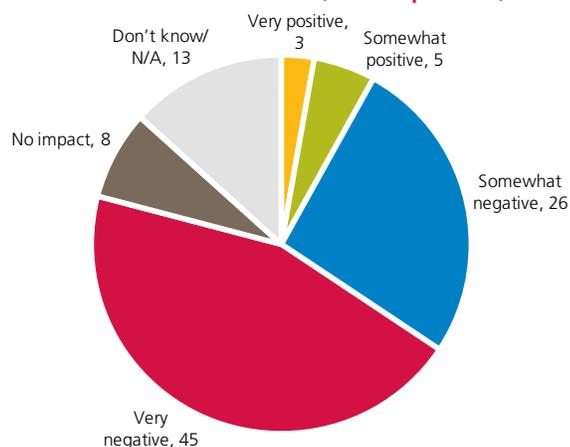
Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=645

When looking at the results by size of firm, medium-sized businesses are more likely to believe they will be negatively impacted, as they might be more likely to access the A-LMO option. Fifty-five per cent of businesses that had 20 employees or more said the elimination of the A-LMO would have a very negative impact, compared to 40 per cent saying the same among smaller businesses.

**Transition plans**

One major change is that business owners are now required to produce a “firm plan” on how they will transition their TFW positions into ones that are filled by Canadians. The plan requirement has been met with heavy skepticism from entrepreneurs, who expect the impact means even more paperwork and longer wait times in the best of scenarios (Figure 27).

Figure 27

**Impact: Introduction of requirement for transition plan to entirely Canadian workforce (% response)**

Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=645

Seventy-one per cent of business owners said they expect the new requirement would have a negative impact (45 per cent “very negative”, 26 per cent “somewhat negative”). Only eight per cent said they expected there would be no impact, while another 8 per cent said they expected it to be a positive development.

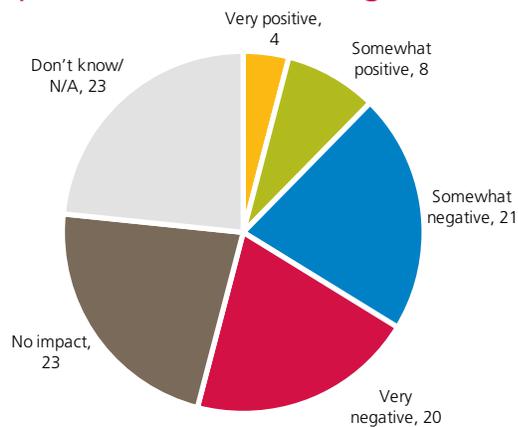
### Wage flexibility

The 15 per cent “wage flexibility” rule was originally brought in to ensure the wages of TFWs did not exceed those of other Canadian workers in specific workplaces. The government indicates that few have taken advantage of this flexibility, presumably because they are able to pay higher wages.

Forty-one per cent of business owners surveyed said they expected the change to have a negative impact, compared to 23 per cent who expected no impact, and 23 per cent who didn’t know or were unsure. Only 12 per cent stated they expected a positive effect (Figure 28).

Figure 28

#### Impact: Elimination of wage flexibility (% response)

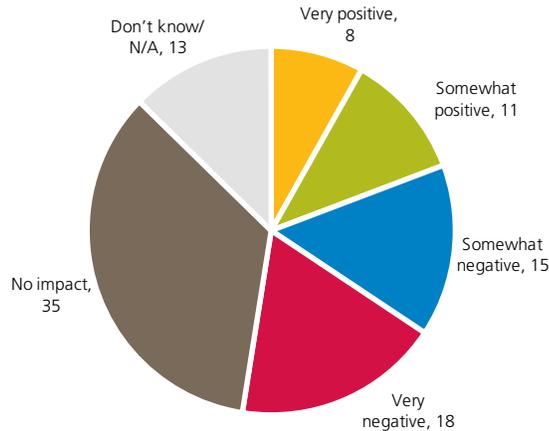


Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=645

### French and English as only potential language requirements

While some members have reservations as to the new language requirements in the announced changes, most members did not express great concern, with by far the largest proportion of members saying they didn’t expect it would be an issue (Figure 29).

Figure 29

**Impact: New French and English language requirement (% response)**

Source: CFIB, Shortage of Qualified Labour and TFWP Survey, Sept-Oct 2013, n=645

**Summary**

The new fee and transition plan requirement are likely to have the biggest negative impact on SMEs as they add cost and time with little improvement to the TFWP process. These concerns were followed by the elimination of the accelerated LMO that had tried to address some of the timeliness issues of the TFWP. Elimination of the wage flexibility was less problematic but almost half were still worried about the impact of its elimination on their business operations. Finally the changes in language requirements were seen as the least problematic change but of concern still to about one-third.

Now that businesses have been hit by another set of changes, it is likely that the negative impacts on businesses that use the TFWP will only get worse. What this will mean for the future of some of these firms, the service they provide and the jobs of Canadians in those businesses that rely on TFWs is still to be determined.

*"This program is essential to our business. The government is listening to the wrong people who really do not have direct involvement [with] foreign workers and are being influenced by the wrong groups. There is definitely a need for this program."*

- Hospitality member, Calgary, Alberta

**Summary of Recent Changes to the TFWP**

On June 20, 2014, the federal government implemented another series of extensive changes to the Temporary Foreign Worker Program, including:

- ▶ Complete ban for most positions in restaurants, hotels and retail in most regions of Canada (where unemployment is above 6%). The ban includes:
  - Food counter attendants, kitchen helpers

- Cleaning staff
- Cashiers, clerks
- Security staff
- ▶ Other “lower wage” jobs will be defined as those paying under the provincial median wage (approximately \$20 per hour in most regions).
- ▶ A non-refundable fee of \$1,000 per position just to apply to have a position approved (the money is lost if the position is not approved), plus an additional \$100 “privilege fee”. This applies to TFWs and all wage levels, other than seasonal agriculture.
- ▶ Employers of entry level workers will be allowed to have a maximum of 10 per cent of the workforce as TFWs (other than for firms under 10 workers). This will be phased in for current TFW employers over the next two years.
- ▶ Work permits for low and high wage TFWs will be reduced from 2 years to 1 year. TFWs in entry-level jobs will be required to return home after a maximum of 24 months.
- ▶ Massive new paperwork requirements to document every application, every interview and reasons for every rejected candidate.
- ▶ Still no national pathway to permanent residency for TFWs in entry-level jobs.

High wage jobs (above the provincial median wage), seasonal agricultural workers and live-in caregivers are exempt from several of these provisions. High wage jobs will require the \$1000 non-refundable application fee and will be subjected to a one-year maximum with a transition plan for the employer to move to an all-Canadian workforce. These changes do not currently apply in Quebec, but the federal government is working with the province to expand this across the country.

In the coming months, CFIB will be working with its members that have been utilizing the TFWP to determine the severity of the impact on small and medium-sized businesses as a result of these latest changes.

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## Conclusion

This report has shown the many facets of how the shortage of qualified labour problem has contributed to the need for the Temporary Foreign Worker Program (TFWP), and how Canadian entrepreneurs utilize the program to overcome these challenges. To sum up:

- ▶ A significant segment of Canadian entrepreneurs see a serious, persistent, and growing shortage of qualified workers for their business.
- ▶ Business owners, including those that access the TFWP, are focused on hiring and training Canadians first.
- ▶ Bringing in temporary foreign workers can realistically only be a last resort. Most have boosted wages and benefits to little avail. Only a relatively small segment of Canada’s entrepreneurs say they have attempted to recruit outside Canada.

- ▶ In instances where a Canadian worker is not available, programs like the TFWP have been critically important for business owners desperate to find qualified employees.
- ▶ The majority of firms hire less than five TFWs at any one time.
- ▶ There are many problems with the Temporary Foreign Worker Program, including lengthy timelines and confusing paperwork.
- ▶ A full third of members say it costs “significantly more” to hire a TFW than to hire a Canadian worker.
- ▶ Businesses see great benefits in employing foreign workers in their firms, not the least of which is the ability to keep hiring Canadians and expand the business.

Regarding the 2013 changes to the TFWP, CFIB’s members are very concerned they will make the TFWP even more costly and restrictive and will impair their ability to effectively utilize the program. This, in turn, will have a major impact on their ability to effectively and successfully run their businesses. The most recent changes in June 2014 will only make a bad situation a lot worse.

No single solution will fully address Canada’s labour and skills shortages. For instance, the Canada Job Grant program could prove useful provided it gives quick access to a workforce that is willing to learn. In addition, CFIB will continue to work with provincial policy-makers to ensure apprenticeship programs, training tax credit programs, and provincial workforce strategies are preparing Canadians for the opportunities in job market.

The “Express Entry” immigration system should better match skilled immigrants who want to move to Canada for work with Canadian employers looking to fill job vacancies. Finally, the re-launch of the Federal Skilled Worker Program in May 2013 was also a welcome development. The new program will focus on younger skilled workers and those with better language proficiency.

On the other hand, if entrepreneurs are unable to fill key jobs that fundamentally drive their operations, then the profitability and even the underlying viability of many businesses will be threatened, along with all the jobs filled by Canadians.

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## Recommendations

Until Canadian workers and immigrants are better aligned with available jobs, the federal TFWP must remain a vital lifeline for some entrepreneurs. CFIB is eager to work with government on how to ensure the TFWP is being properly used and is meeting the needs of independent businesses.

Based on our members’ feedback, we propose a number of measures that, together, address some of the more prevalent concerns with the program, while continuing to recognize that serious and persistent labour shortages exist in certain sectors and regions of the country.

### **1. The development of a special TFW stream for entry-level positions in the hospitality and retail sector**

No business should be disallowed from making the case they need to access the TFWP. Given the unique nature of the hospitality and retail businesses, CFIB proposes access to TFW for employers in those sectors be restored through a special stream within the program. For instance, the Seasonal Agricultural Worker Program (SAWP) recognizes the hiring challenges that are unique to that industry. While the problems are particularly acute in smaller, resource industry-intensive communities, businesses in the hospitality sector right across Canada often struggle to find workers. A further step would be to negotiate bilateral agreements with specific countries to allow expedited access to Canada for immigrants from those countries, including filling entry-level jobs.

### **2. Allow flexibility in the 10 per cent cap and the 6 per cent unemployment rate rule**

According to the June 2014 changes, employers of entry-level workers will be allowed to have a maximum of 10 per cent of their workforce as TFWs (other than for firms under 10 workers). This will be phased in for current TFW employers over the next two years. There will also be a complete ban on hiring TFWs for most positions in restaurants, hotels and retail in those regions of Canada where unemployment is above 6%. But clearly, there are specific areas within some provinces and regions in the country, and certain sectors of the economy, where the unemployment is above the 6 per cent level, but there are virtually no potential applicants for jobs. At the very least, the government needs to show at least some flexibility in allowing employers in these areas to continue to have access to the TFW program.

### **3. A pathway to permanent residency for all Temporary Foreign Workers**

Canada brings in thousands of lower-skilled TFWs each year with no pathway to permanent residence, while offering permanent residence to thousands more highly-skilled, highly-educated workers who have no guarantee of a job in Canada. CFIB proposes that the immigration system ensure all TFWs, including those in entry-level jobs, have a pathway to become permanent residents, for instance, by expanding the Canadian experience class and/or giving an expanded number of TFWs access to Provincial Nominee Programs.

### **4. A Temporary Foreign Worker bill of rights**

As TFWs may be more vulnerable in some circumstances than Canadian workers, CFIB proposes a Bill of Rights for Temporary Foreign Workers to outline the many responsibilities that employers have agreed to when using the program. Employers would be responsible to provide a signed document to both the worker and government. Government spot-checks would ensure proper compliance. The document could outline areas such as:

- ▶ Information about the promised wages, benefits and working conditions;
- ▶ Details of any employer-provided accommodation, including the standards that are to be met. This should confirm that employer-provided housing may be refused at the discretion of the worker;

- ▶ A clear internal dispute resolution process for employers and employees with a pathway to government or immigrant service agencies for unresolved issues; and
- ▶ The ability to switch employers if the obligations are not met.

#### **5. Stricter enforcement instead of more rules**

CFIB members do not condone misuse or abuse of the program or foreign workers under any circumstances, and are overwhelmingly supportive of strong sanctions against those who do. There are already many rules in place. Rather than even more paper work, enhanced enforcement of the rules is a better way forward.

#### **6. Accredited employer stream**

The federal government needs to look at other ways of approaching temporary foreign worker issues. One alternative approach would be to create an accreditation system, with rigorous requirements for acceptance, and an expedited LMO process thereafter. Employers who have a proven track record of complying with the rules would be allowed to bypass the more basic paperwork required for first-time users of the TFW program.

#### **7. A more reasonable approach to fees**

With the latest two rounds of changes to the TFWP, fees have increased dramatically. The fee per application is now \$1,000, plus an additional \$100 “privilege fee”. Furthermore, many businesses that successfully applied for the program in the past and appear to still be eligible under the new rules are now submitting applications and being denied. To add insult, these application fees are non-refundable. At a minimum, any employer that has their TFW applications rejected should have the \$1000 application fee refunded, minus the \$100 administrative fee.

#### **8. A new model for setting wages**

The current system of setting wages for TFWs does not reflect the realities of small business, and leads to some TFWs getting paid more than their Canadian co-workers. CFIB proposes that wages for TFWs be set according to existing wages within the individual firm. If a business can prove they have Canadians working in similar jobs at a certain wage level, then they should be allowed to hire temporary foreign workers at that level. If not, then the prevailing wage would apply.

#### **9. Replacing the proposed transition plan and new workforce thresholds (30, 20, 10 per cent caps) with a focus on a blended workforce requirement**

The requirement to create a transition plan to an all-Canadian workforce is problematic for some employers who experience severe, ongoing difficulties with finding enough qualified staff. The transition plan applies to employees who have been working for more than 4 months in a business that has more than 10 employees. CFIB proposes that the transition plan requirement be amended to allow employers to transition to a more blended workforce, especially if more pathways to permanent residency are made available for TFWs. For example, an employer would be permitted to hire one TFW for every Canadian they employ in the same job category at the same wage rate.

## **10. Consider headcount, not hours for target levels**

CFIB believes the current calculation of the percentage of TFWs allowed in a business is not a fair representation of the participation of Canadian workers in those businesses. Instead, we recommend it should be based on the percentage of people employed. The current way of calculating working hour percentages does not reflect the proportion of Canadian workers' hours. For instance, a business with students working full-time during school breaks may not have that Canadian participation reflected in the current calculation which is based solely on one government selected work week. A headcount approach would encourage businesses to build their workforce with Canadians, and allows each employee to be equally valued.

## **11. Reforming the permanent immigration system to allow access to workers in lower-skilled categories**

CFIB is supportive of the new Express Entry system that allows employers to have a greater role in selecting immigrants. Unfortunately, a closer look at the details reveals the new system will still not help employers looking to fill entry-level jobs that are classified as "lower-skilled" positions. Building on the effort currently underway to make the permanent immigration system more sensitive to job offers, and to better align the system with the needs in the economy, CFIB suggests employers with staffing needs at all skill levels should be permitted to participate in selecting workers through the Express Entry system.

## **12. Ensure TFWs in Canada today have enough time to complete permanent residency process**

As a result of the recent changes, many TFWs currently in Canada awaiting processing under Provincial Nominee Programs (PNP) may be forced to go back to their countries of origin once their work permits expire.

CFIB members report the TFWs they currently employ are extremely stressed and uncertain about their futures in Canada. We believe the federal government should work with the provinces and territories to (a) quickly implement one-time transitional measures to ensure that all TFWs in Canada today with an application for permanent residency in process can stay and work in Canada until this process has been completed, and (b) consider a one-time bump to PNP levels to accommodate all legitimate applications. This may involve an extension of their work visas and, if necessary, of their employer's associated Labour Market Impact Assessment (LMIA) approvals.

This would permit these individuals to stay in Canada, and allow their employers to benefit from continuing to have these valued and productive employees as permanent members of their team. It makes no sense to encourage TFWs and their employers to apply for permanent residency status through provincial immigrant nominee process, but force them to leave prior to those applications being assessed.

## **13. Review all federal and provincial government programs and policies related to workforce training**

While there are many government programs oriented to employers in certain sectors, Canada still needs a steady supply of entry level workers or those with more modest skill sets. While wages are important to this discussion, governments also play a role to remove biases among many Canadians to fill certain types of job. Governments

need to review all programs, such as Employment Insurance, post-secondary education funding, vocational training and programs like the Canada Job Grant for opportunities to ensure they encourage, rather than inhibit, hiring at all skill levels in the future.

In addition, we support efforts by the federal government to overhaul the Labour Market Development Agreements (LMDA) with the provinces. We recommend Canada's training system be changed so it is better tailored to the needs of small and medium-sized businesses. Given the additional prohibitions for the retail and hospitality sectors from using the program, a specific focus on new training programs for these sectors may be in order.

There is also a need for better communication with Canada's small business owners so that they are aware of how LMDAs can help them and their business with their training needs. This is an essential component in ensuring that the programs are accessible to small business owners.

#### **14. Preserve and expand SAWP**

The Season Agricultural Workers Program (SAWP) has been highly effective in meeting the labour needs of that specific sector. The program allows employers to hire temporary foreign workers when Canadian citizens and permanent residents are not available. To qualify for the SAWP, employers must meet three criteria: the TFWs hired must be citizens from Mexico or participating Caribbean countries, production must be in specific commodity sectors, and the TFWs must work on the farm in primary agriculture. The SAWP operates according to bilateral agreements between Canada and the participating countries in order to: recruit and select the TFWs; make sure workers have the necessary documents; maintain a pool of qualified workers; and appoint representatives to assist workers in Canada. The SAWP has worked very well for the primary agricultural sector and should be preserved and expanded to include meat and fish processing occupations. It should also serve as a model for other sectors facing severe labour shortages.

#### **15. Monitor impact of TFWP changes**

The federal government needs to be sensitive to the fact that the long list of changes to the TFWP may have a serious and detrimental impact on certain sectors of the economy and specific areas or regions within the country. The federal government needs to recognize that larger firms have a capacity to adjust to the TFWP changes that most small and medium-sized businesses lack. The impact of the changes needs to be closely monitored to ensure they do not unduly or unfairly impact smaller firms.

We recognize many of these recommendations would be a significant change, but we would welcome a more informed national discussion about small business, labour and skill shortages, and the Temporary Foreign Worker Program.

## “The Big Idea”

### Creating “Introduction to Canada Visa” As Part of the Permanent Immigration System for Lower-Skilled Workers

One of the many criticisms of the Temporary Foreign Worker program was that it was being used by many employers, to fill permanent labour market needs, not temporary ones. This was an accurate observation. Employers in high demand regions and sectors used the TFWP to fill permanent positions in lower skilled occupational categories as they are almost entirely cut out from any access to the permanent immigration system, other than limited access in some provinces to the provincial nominee programs.

While a stream could be maintained for those with truly temporary needs, CFIB suggests the TFWP be replaced with an Introduction to Canada Visa program. Rather than a temporary program, this would be a first step to permanent residency. The foreign worker would agree to work for two years with an employer while integrating into Canadian society. With appropriate limitations, this new facet of the permanent immigration system would create more stability within the workforce for employers, and greater opportunities for those eager to come to Canada.

### Proposed details of the Introduction to Canada Visa

- ▶ 2 year initial working visa to work in a sector or region with high demand
- ▶ National or provincial path to permanent residence after 2 years
- ▶ Targeted at more junior skill sets
- ▶ Employer must pay same wages *in the business*, not the sector
- ▶ Employer must have 1 Canadian employee at same wage rate to have 1 Intro Visa
- ▶ Ability to switch employers, not sectors or regions, if promises not kept
- ▶ Strict national or provincial enforcement

### Methodology:

The results of this report are based on the results of a survey conducted during September and October 2013 in which a total of 6,625 responses were received. The responses reflect the views of SMEs located in all regions and sectors throughout Canada. The responses are accurate within plus/minus 1.2 percentage points, 19 times out of 20.

In terms of responses from SMEs that have recent experience with the TFWP, 494 respondents indicated that they had successfully hired a TFW during the past three years, while 192 attempted but were not successful.

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## Appendix A: Background on the TFWP process

There is a great deal of confusion regarding how the Temporary Foreign Worker Program (TFWP) is structured, and the kind of worker covered by this designation. In May 2014, Minister Jason Kenney provided data to business and labour groups regarding the TFWP, which should help clarify matters.

There are two major categories of Temporary Foreign Workers (TFWs): those that require a Labour Market Opinion (LMO) to enter Canada, and those who do not. The LMO is the first step to bringing in a TFW, and represents the acknowledgement from government that a business has tried various methods to recruit workers for a certain position without success. That business can then subsequently access the TFWP. Completing the LMO application and conforming to all the rules and regulations can be a very difficult, lengthy and costly process.

Examples of workers who do not require a LMO are: intra-company transfers, spouses, and people covered by Youth Mobility Agreements. In 2012, these individuals represented 62 per cent of the total number of entries of Temporary Foreign Workers into Canada.

Of the remaining workers who did require an LMO to enter the country, 31 per cent were Seasonal Agricultural Workers and 8 per cent were live-in caregivers. The high skilled and low skilled workers who have been the subject of controversy in recent months make up 35 per cent (28,321 workers) and 26 per cent (20,636 workers), respectively, of the total number of foreign workers that require an LMO.

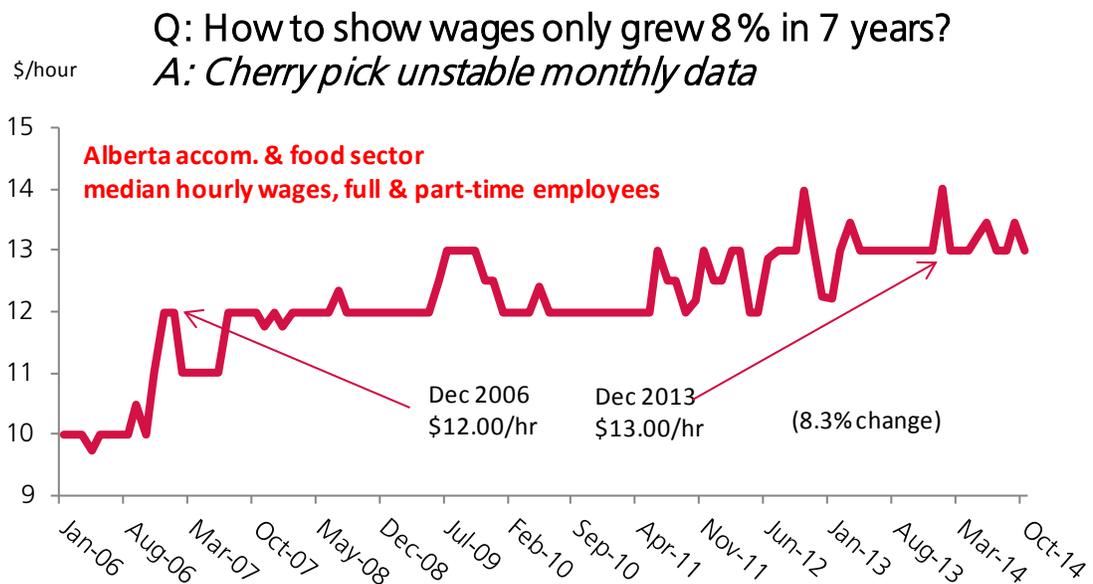
To take it one step further, of all the Temporary Foreign Workers that entered Canada in 2012, less than one in ten (9.7%) were brought into Canada for entry-level positions.

## Appendix B: Righting a statistical wrong

In claiming the need for tightening down the TFW program, Employment Minister Jason Kenney frequently cited Statistics Canada numbers that purportedly suggested that median wages in Alberta's hospitality sector had increased by only 8 per cent from 2006 to 2013.

This is taken as a sign that employers are not bidding up the price of labour, hence a lack of indirect evidence of a scarcity. Mr. Kenney, and others that take this point of view, are making three mistakes with this inference. The first mistake is trying to use highly aggregate industry and geographic numbers to say something meaningful about labour shortages. In fact, labour shortages are embedded deep within highly specific areas and skill sets, in ways that cannot possibly be adequately measured with current tools. The second mistake is suggesting that the median wage numbers by sector and by province are perfect representations of reality. The numbers, in fact, vary significantly from month to month—moving up or down by more than a dollar an hour in some instances (see Figure 1). The third mistake is in choosing the lowest possible rate of change from that flawed series between two dates.

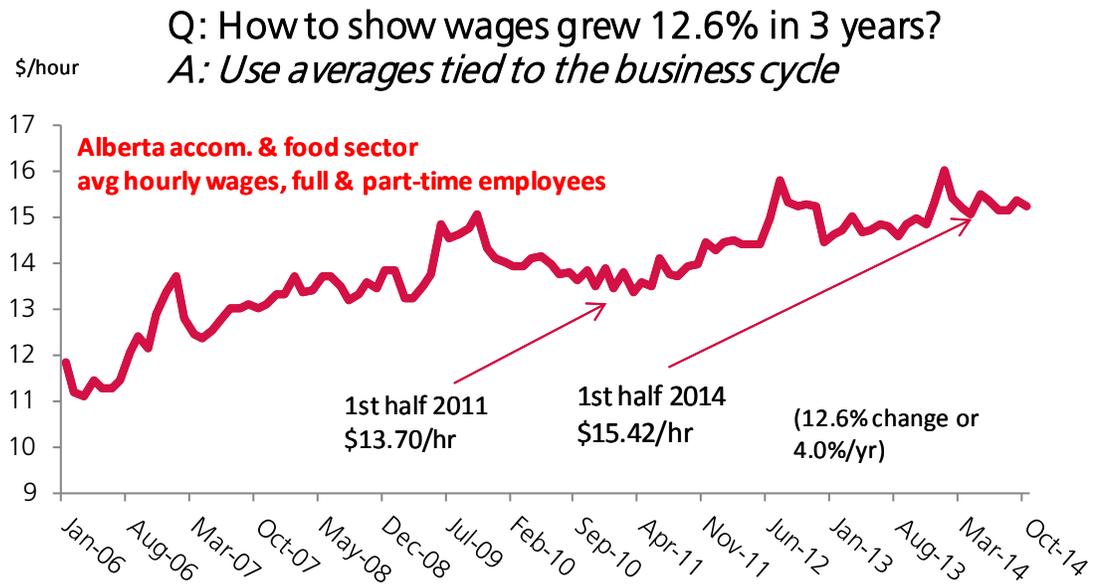
Figure 1:



The 2006 data cited come from an abnormally high spike in the data, while the 2013 comparator is a lower- than- typical estimate. If one had chosen slightly different dates, say January 2006 to January 2014, the percent change would have been 40 per cent—equally misleading, but a far cry from the 8 per cent cited by Mr. Kenney.

If one wishes to get a more accurate perspective on typical wage growth in the sector, then one must choose a more stable series and then refrain from relying on monthly data. Looking at the average wage levels rather than the medians, and then choosing half- year periods that correspond better to the business cycle, we see that hospitality sector wages grew 12.6 per cent between its recession low of \$13.70/hr in the first half of 2011 and the \$15.42/hr in the first half of 2014 (see Figure 2).

Figure 2:



These average industry numbers are still too blunt to really shed much light on the employee shortage issue, but at least they demonstrate a compound annual average rate of wage growth of roughly 4.0 per cent—well above inflation and the prevailing wage growth in the rest of the country.

## Appendix C: Shortage of Labour and Temporary Foreign Worker Survey

### RESULTS: Shortage of Qualified Labour and Temporary Foreign Worker Survey

Survey method: Web  
 Survey period: September 4 – October 30, 2013  
 Tabulation date: October 31, 2013  
 Total responses: 6,625

**% Response**

**We would like to ask you a few questions related to your experience hiring new employees.**

1. Not including yourself, how many full and part-time employees currently work in your business? (Enter number)

Mean: 19.3

2. During the past three years, have you had difficulty hiring new employees? (Select one answer only)

- 3.5 No, I am a one-person business with no positions available
- 13.1 No, I wasn't looking to hire
- 17.2 No, I had no difficulty filling the available positions
- 33.5 Yes, it was somewhat difficult
- 32.6 Yes, it was very difficult

3. Please describe your hiring experience for each of the following during the last three years? (Select one for each line)

	Hired	Tried to hire, but candidates lacked necessary skills/experience	Tried to hire, but received no applications	No experience
Older workers (i.e. 60 years old or older)	25.1	8.7	13.1	53.2
Younger workers (i.e. younger than 25 years of age)	55.5	24.5	7.2	12.8
Individuals with disabilities	8.5	4.7	8.4	78.3
Foreign workers (foreign nationals with a permit to work in Canada)	19.4	4.5	8.3	67.8
New immigrants (permanent residents and new Canadians who moved to Canada within 5 years from when you hired them)	22.2	7.5	9.1	61.3
Aboriginal / First Nations	11.1	6.5	12.3	70.1

4. How effective are each of the following methods to find and hire workers into your business? (Select one for each line)

	Very effective	Somewhat effective	Not very effective	Not effective at all	Have not used	Don't know
Unsolicited applications	7.0	33.1	25.9	14.9	11.0	8.1
Referrals from friends, employees	25.6	48.9	13.5	4.8	5.3	1.8
"Help Wanted" signs on your premises	2.2	11.1	15.5	12.4	49.1	9.7
Job advertisements in newspaper	3.8	22.5	23.9	14.0	30.0	5.8
Job advertisements on websites (e.g. Canada Job Bank, Jobboom, Workopolis, Monster, Kijiji)	12.1	33.1	17.3	7.2	24.0	6.4
Job advertisements in social media (Twitter, LinkedIn, Facebook)	2.9	12.9	11.5	6.2	51.3	15.1
Government employment centres	3.1	15.7	19.0	14.5	37.6	10.1
Government hiring programs (e.g. Apprenticeship programs, programs for youth workers or older workers, etc.)	3.4	15.4	14.5	10.8	42.7	13.1
Internships, co-op programs, temporary staffing companies	4.8	14.7	11.1	8.2	45.9	15.3
Professional recruiters (e.g. executive searcher)	2.9	7.7	6.9	5.2	58.8	18.5

We would like to ask you questions specifically related to Canada's Temporary Foreign Worker Program (TFWP).

5. To what extent do you agree or disagree with the following statements regarding the Temporary Foreign Worker Program (TFWP)? (Select one for each line)

	Strongly agree	Somewhat agree	Somewhat disagree	Strongly disagree	Don't know	Not applicable
The TFWP should not be used to replace Canadians who are willing and able to work	61.0	20.9	6.2	4.8	3.5	3.5
The federal government should make it easier for small businesses to access the TFWP	36.5	26.3	7.1	9.7	14.4	6.0
Businesses that misuse the program should see their access to the TFWP revoked	66.2	18.9	2.2	1.4	7.1	4.1

6. Which of the following best describes your experience with the TFWP within the last three years? (Select one answer only)
- 10.4 I used the TFWP and successfully hired a temporary foreign worker
  - 4.1 I attempted to use the TFWP, but was not successful in hiring a temporary foreign worker
  - 18.0 I have not used the TFWP, but considered using it
  - 67.5 I have not used the TFWP and did not consider using it
7. Please select each of the following that explain why your attempt to hire a Temporary Foreign Worker (TFW) was unsuccessful. (Select as many as apply)
- 20.0 Costs are too high
  - 41.0 The paperwork was too confusing
  - 63.6 The process was taking too long
  - 19.0 Finding the right candidate was too hard
  - 39.0 My LMO (Labour Market Opinion) application(s) was(were) not approved by the federal government
  - 27.2 Other (Please specify)
8. Please select each of the following that explain why you decided not to use the TFWP. (Select as many as apply)
- 19.7 Costs are too high
  - 38.2 The paperwork was too confusing
  - 46.6 The process takes too long
  - 24.8 Finding the right candidate would have been too hard
  - 35.2 I found a candidate through other means
  - 27.3 I did not think I would qualify
  - 15.2 Other (Please specify)
9. How helpful was the TFWP in addressing your hiring difficulties? (Select one answer only)
- 52.2 Very helpful
  - 31.9 Somewhat helpful
  - 11.3 Not very helpful
  - 4.6 Not helpful at all
10. Prior to looking for workers through the TFWP, what steps did your business take to retain existing staff or attract new workers? (Select as many as apply)
- 73.3 Expanded recruitment efforts beyond traditional region
  - 72.1 Increased wages
  - 41.2 Introduced or expanded employee benefits
  - 45.7 Added flexibility in work hours
  - 15.1 Other (Please specify)
1. How many temporary foreign workers (TFWs) do you currently employ?
- Mean: 8.7
12. How has your reliance on the TFWP changed during the past three years? (Select one answer only)
- 48.2 Increased
  - 15.4 Decreased
  - 36.5 Stayed the same

13. On average, how many weeks does it take your business to hire a TFW, from filling out the required documentation (i.e. completing the LMO paperwork) to the TFW's first day on the job? (Enter number of weeks)

Mean: 25.0 weeks

14. Please rate the following aspects of the TFWP. (Select one for each line)

	Excellent	Good	Fair	Poor	Don't know/Not applicable
Timeliness of process (from application to TFW's first day on the job)	3.2	8.4	16.3	62.1	10.0
Promptness of government customer service (e.g. responses to application and inquiries)	3.2	14.4	27.8	47.6	7.0
Cost of process	2.6	16.8	41.6	30.4	8.6
Availability of information on how to apply	4.3	25.5	32.9	32.4	4.9
Amount of paperwork for my business	0.9	11.2	28.9	54.9	4.1
Knowledge of government staff	4.4	25.3	35.8	26.1	8.4

15. In general, how does the cost of employing a TFW compare with the cost of employing a Canadian worker (including salary, recruiting, time spent on paperwork, and other associated costs to hire and retain workers)? (Select one answer only)

- 33.1 It costs my business significantly more to employ a TFW than a Canadian worker
- 34.6 It costs my business moderately more to employ a TFW than a Canadian worker
- 22.3 The costs are about the same
- 5.0 It costs my business moderately less to employ a TFW than a Canadian worker
- 2.1 It costs my business significantly less to employ a TFW than a Canadian worker
- 2.9 Don't know

16. What types of occupations have you filled or tried to fill with TFWs? (Select as many as apply)

- 11.5 Managerial occupations
- 9.4 Professional occupations that require university education
- 55.3 Skilled and technical occupations (e.g. trades)
- 10.3 Intermediate and clerical occupations
- 53.5 Entry-level and low-skilled labour

- 17. How does hiring a TFW benefit your business?** (Select as many as apply)
- 62.0 Fulfills a specific skilled labour need
  - 51.4 Fulfills an unskilled labour need
  - 59.0 Allows me to keep my business open and employ Canadian workers
  - 48.4 Allows me to expand my business
  - 1.7 Provides information on possible target countries for exporting my products
  - 13.4 Other (Please specify)

**18. The government recently announced a number of changes to the TFWP. What impact would you expect these changes to have on your business?** (Select one for each line)

	Very positive impact	Somewhat positive impact	Somewhat negative impact	Very negative impact	No impact	Don't know/not applicable
Suspension of Accelerated Labour Market Opinion (LMO) process	6.4	6.1	16.6	45.5	6.7	18.8
Introducing new user fees of \$275 per position requested (non-refundable)	2.5	3.4	31.3	47.0	7.4	8.4
Eliminating the 15% wage flexibility to pay wages reflective of your Canadian employees in your sector or region	4.0	8.3	21.5	20.2	22.6	23.4
Requiring businesses to produce a "firm plan" (details to be confirmed) on how they will transition their TFW positions to be filled by Canadians	2.8	5.3	26.3	44.7	7.6	13.3
Limiting English and French as the only languages that can be used as a job requirement, unless there is demonstrated need for another language	8.1	11.1	15.2	18.1	34.8	12.7

**19. What issues, if any, have you encountered in having TFWs in your business?** (Select as many as apply)

- 12.5 Actual skills and credentials of TFW(s) did not meet job requirements
- 14.9 Lack of services to help TFWs integrate into my workplace/community
- 6.8 Lack of desire on the part of the TFWs to integrate into my workplace/community
- 28.7 Language barriers
- 6.1 Cultural/religious differences conflict with job requirements
- 7.2 Presence of TFWs in the workplace raises concerns about job security on the part of Canadian workers
- 55.0 No issues encountered
- 9.4 Other (Please specify)

**20. What has your business done to help TFWs employed at your workplace integrate into your business and/or community?** (Select as many as apply)

- 20.7 Offered language training
- 46.7 Offered additional training to meet job requirements
- 13.4 Provided cultural awareness training for existing employees
- 67.0 Assisted with settlement (e.g. finding accommodation, banking)
- 44.7 Offered mentorship/social activities
- 7.5 My business does not have the capacity to provide additional support
- 18.3 No additional support necessary
- 5.9 Other (Please specify)