



# Canadian Labour Market and Skills Researcher Network

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### Temporary Foreign Workers and Former International Students as a Source of Permanent Immigration

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# Temporary Foreign Workers and Former International Students as a Source of Permanent Immigration\*

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## **Abstract:**

We compare the economic outcomes of former Temporary Foreign Workers (TFWs) and former international students to immigrants who have no Canadian human capital at the time of landing. First, controlling for all possible variables that are adjustable under the current Canadian points system, we find that TFWs and students have better earning and employment outcomes, although by four years after landing, there is no difference between the employment outcomes of students or earnings of TFWs and workers with no pre-immigration Canadian human capital. Predicting the points that immigrants would obtain based on their observable human capital under the points system, each point increases earnings by around 2 percent and the probability of being employed by around half a percent. We also find that the predicted points of the respondent helps predict the earning and employment outcomes of the spouse. Next we examine the outcomes of immigrants based on entry class separately by gender. We find that both male and female Principal Applicants entering through the Skilled Worker program perform much better than immigrants entering through most of the other classes, although, for males, Principal Applicants entering under the Family Class are more likely to be employed at six months and two years after landing. Finally, restricting the sample to immigrants who were directly assessed based on economic criteria (Skilled Worker Principal Applicants), we discover that for males, immigrants who had previously worked in Canada as TFWs have much better outcomes in terms of entry earnings than immigrants who have no pre-Canadian experience at landing. Former international students experience an advantage in terms of hourly earnings, but much smaller than that experienced by TFWs, and students experience no earnings advantage in terms of weekly earnings. Overall, the evidence suggests that temporary foreign worker or student status does provide some signal of how well an immigrant will integrate economically.

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## Executive Summary

In this paper we examine the economic outcomes of former Temporary Foreign Workers (TFWs) and former international students relative to immigrants who have no Canadian human capital at the time of landing. Starting in September 2008, a new direction in immigration policy was undertaken with the initiation of the Canadian Experience Class. Under this class, some skilled categories of TFWs with Canadian work experience and international students who have a Canadian degree and Canadian work experience will be able to apply to transfer their temporary resident status to permanent status without leaving the country. Under the previous policy such individuals were treated similarly to other applicants and only a small number of immigrants who were previously TFWs or international students in Canada were admitted. While making it easier for successful temporary residents to transfer their temporary status to permanent status appears to be a wise policy change, there is currently no empirical evidence to support such a policy shift. Overall, we find that male TFWs have superior employment and earnings outcomes in all specifications. For former international students, we also find some evidence of better labour market outcomes, but the results are not as strong.

We begin by examining the former TFW and former international student status in relation to the Canadian points system. First, controlling for the predicted points that immigrants would obtain based on their observable human capital and all other possible variables that are adjustable under the current points system, we find that TFWs and students initially have better earnings and employment outcomes. However, by 4 years after landing there is no difference between the employment outcomes of students, or the earnings of TFWs, and those of workers with no pre-immigration Canadian human capital. As well, we find that each predicted point in the point system increases earnings by around two percent and the probability of being employed by around half a percent, although the relationship is not perfectly linear. We also find that the predicted points of the respondent help predict the earning and employment outcomes of the spouse.

Next we examine the outcomes of immigrants based on entry class separately by gender. We find that both male and female principal applicants entering through the skilled worker program perform much better than immigrants entering through most of the other classes, although, for males, principal applicants entering under the family class are more likely to be employed at six months and two years after landing than skilled worker principal applicants.

Finally, restricting the sample to immigrants who were directly assessed based on economic criteria (skilled worker principal applicants), we discover that, for males, immigrants who had previously worked in Canada as TFWs have substantially better outcomes in terms of entry earnings compared to immigrants who have no pre-immigration Canadian experience at landing. Former

international students experience an advantage in terms of hourly earnings, but much smaller than that experienced by TFWs, and students experience no earnings advantage in terms of weekly earnings. When we divide the sample into immigrants from Western and non-Western countries, we find, that TFWs in both samples obtain strong earning outcomes. Further, the benefit of having pre-immigration Canadian work experience at landing was found to be greatest for immigrants from non-Western countries. For the sample of immigrants from non-Western countries, by the third cycle, even after controlling for observable characteristics, the TFWs have a weekly earnings advantage of around 68 percent higher than comparable workers who were not previously TFWs, and were also 7 percent more likely to be employed than workers who had no pre-immigration Canadian human capital at landing.

As well, we find that while other recently landed immigrants receive either no returns or negative returns for their years of potential foreign work experience TFWs do receive positive, although modest, returns (between 1 and 3 percent per year of foreign work experience depending on the specification).

Although there are very substantial differences between our sample of TFWs and international students and those that will be admitted under the Canadian Experience Class, overall, the evidence suggests that the temporary foreign worker status or student status does provide some information regarding how well an immigrant will integrate economically.