

Recommendations of the Board of Trade of Metropolitan Montreal on the Temporary Foreign Worker Program as part of consultations by the Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities (HUMA)



June 2016

Preamble

The Board of Trade of Metropolitan Montreal (the Board of Trade) has over 7,000 members. Its mission is to be the voice of Montréal's business community and to promote the city's prosperity. The Board of Trade is involved in key areas of economic development, promoting a philosophy of action based on engagement, credibility, proactivity, collaboration and innovation. The Board of Trade is the largest private economic development organization in Quebec.

Background

In June 2014, the federal government announced a sweeping reform of the Temporary Foreign Worker Program to ensure that employers hire local labour whenever possible and use the program only as a last resort. This reform took effect in Quebec in April 2015.

Since then, the Board of Trade of Metropolitan Montreal has called on the federal government to work with the Government of Quebec to review its reform so that it better reflects the economic and demographic challenges in Quebec and Montréal. For the business community, this reform dramatically limits access to temporary workers in a context of a demographic crunch, just as businesses have increasing labour needs.

The Standing Committee on Human Resources, Skills and Social Development and the Status of Persons with Disabilities (HUMA) is currently studying the Temporary Foreign Worker Program, which is why the Board of Trade of Metropolitan Montreal is submitting its recommendations on the matter.

Introduction

Access to skilled labour that meets labour market needs is a major preoccupation for Greater Montréal businesses.

Quebec and its largest city are dealing with a population that is aging more dramatically and faster than elsewhere in Canada. According to Emploi-Québec forecasts, from 2013 to 2017, 330,000 jobs will need to be filled within the CMA of Montréal, 68% of them (224,900) because of retirement. The city's businesses will find it increasingly difficult to meet their labour needs.

This is in addition to accelerated technological change and the emergence of new trends, which point to a fourth industrial revolution that will have a significant impact on business models and production cycles. Companies therefore need more highly skilled, agile labour to adapt rapidly to new trends and remain competitive. Additionally, in many leading-edge sectors, business models are based on one-time projects, with short production times that further complicate recruitment. Given this set of circumstances, local labour cannot meet the needs of companies, and they face intense competition to attract and retain workers.

In its pre-reform state, the Temporary Foreign Worker Program enabled companies to more easily meet their needs, which explains why many economic players from Quebec, including the Board of Trade, have denounced the federal government's April 2015 reform. By limiting access to temporary foreign workers, the reform makes the program much harder to use, impeding the development of the city's businesses and strategic sectors.

The Board of Trade reiterates its call for the government to review the Temporary Foreign Worker Program to better reflect the economic and demographic reality of Quebec and Montréal and to better support their prosperity. The Board of Trade asks that the federal government:

1. facilitate access to specialized temporary foreign workers who are strategic for growth-generating sectors
2. allow greater flexibility in hiring unskilled and seasonal temporary foreign workers
3. streamline the process and processing timeframes for applications for temporary foreign workers
4. introduce mechanisms to help retain temporary foreign workers

1. Facilitate access to specialized temporary foreign workers who are strategic for growth-generating sectors

Economic development in Greater Montréal is based on knowledge and the development of strategic sectors, particularly the nine industrial clusters.¹ These sectors, whether video games, aerospace, life sciences or information and communication technologies, have seen greater growth in production than other sectors. They have significant needs in human capital and require advanced skills to meet particular needs that at times can only be met in the short term by foreign labour.

We can take the video game industry – a flagship industry – as an example. It generates almost \$837 million² annually in Quebec and brings in annual tax revenue of close to \$147 million provincially and \$67 million federally. It has distinguished itself for outstanding growth in employment (10% from 2009 to 2013)³ and is a source of creative, skilled, high-wage jobs, with an average salary of close to \$67,000, according to statistics from 2013-2014.⁴ It also has one of the most effective ecosystems for supporting its creativity, with a solid offer of education and training, major world leaders and a strong value chain. Yet in spite of the omnipresence of the technology, it faces a shortage in specialized labour, and many positions, for instance, in computer programming, remain vacant. Additionally, international competition is very intense, and production cycles, geared toward a project-based approach, are short. As a result, studios need to be able to hire temporary foreign workers quickly to complete their projects and remain competitive.

The use of temporary foreign workers is likely to increase with technological changes, which will have serious repercussions on the industrial structure and the job market. According to a recent study by the World Economic Forum,⁵ new types of jobs in computers, mathematics, architecture and engineering will result from the fourth industrial revolution. These specialized jobs cannot be filled entirely with local labour. However, they will have a multiplying effect on the economy and will create other jobs for the local population. Yet the recent reform of the program discourages employers.

¹ I.e., managed by a secretariat responsible for their development. The sectors in question are aerospace, aluminum, film and television, logistics and transportation, fashion, life sciences, financial services, information and communication technologies and clean tech.

² Alliance numérique study conducted by Secor-KMPG, October 2014.

³ *Idem.*

⁴ *Idem.*

⁵ World Economic Forum, *The future of jobs*, January 2016.

The Board of Trade therefore asks the following of the federal government in terms of the skilled jobs category.

- **Continue to work with the Government of Quebec to expand the simplified process for applications for Labour Market Impact Assessments (LMIA) to all strategic sectors in Greater Montréal.** The simplified process, which exempts employers from providing proof of recruitment efforts for specific positions, is particularly relevant for the city's businesses, provided it allows faster access to professions with significant labour needs. The federal government must continue to work closely with the provincial government to take into consideration strategic sectors that need foreign labour to prosper.
- **Lift the obligation to present transition plans for high-wage, skilled positions.** The obligation to present a transition plan for higher-wage positions to gradually move to Canadian staff in the longer term places an additional, unnecessary burden on companies and is an obstacle, particularly for SMEs, which do not have human resources departments. Furthermore, developing a transition plan is difficult when temporary foreign workers are being used for a one-time project with a defined end point.
- **Standardize the assessment of LMIAs.** Many businesses have reported discrepancies in how applications are processed in different parts of the country. Applications can be processed quickly in some offices and more slowly in others, resulting in additional costs and delays. We need consistent, clear and transparent guidelines for LMIAs to make the process more uniform, efficient and predictable.
- **Respect salary confidentiality.** Employers have to try to recruit Canadians and permanent residents before offering jobs to temporary foreign workers. As a result they have to post vacant jobs and salaries. Yet this is sensitive information that can undermine businesses operating in sectors where there is intense competition to attract and retain talent. These businesses should not have to divulge salaries to get a positive response from the LMIA.

Recommendation 1

The government needs to facilitate access to high-wage, skilled temporary foreign workers. To do this it must:

- continue to work with the Government of Quebec to expand the simplified process for Labour Market Impact Assessments to all strategic sectors in Greater Montréal
- lift the obligation to present transition plans for high-wage jobs
- standardize the evaluation of LMIAs
- respect the salary confidentiality of sectors with intense competition

2. Grant greater flexibility in hiring low-skilled and seasonal temporary foreign labour

The Greater Montréal business community is aware that the reform of the Temporary Foreign Worker Program began after intensive media coverage of abuses in hiring unskilled labour. The Board of Trade believes that these situations were mainly due to the improper application of program parameters and not due to the program itself. The reform should not penalize all companies simply because some companies did not follow the rules.

It is also important to note that access to low-skilled temporary labour is essential for many of the city's industries, particularly those with seasonal activities. Yet the federal government's recent reform limits applications for temporary foreign workers in the low-wage category through more restrictive criteria, resulting in a labour shortage in sectors where there is strong demand or clear labour needs, particularly in the restaurant industry.

We cannot forget that the hiring process for temporary foreign workers is long and expensive for companies. As a result, they generally use the program as a last recourse, after having tried different strategies to recruit local labour. Plus, some low-skilled jobs, particularly in agriculture, are not in demand with the local population.

The government needs to grant more flexibility to employers in hiring seasonal labour. To this end, it must take the following measures.

- **Lift the restriction for using the program in the low-wage category when temporary foreign workers account for more than 10% of a company's labour force.** This measure limits access to labour in strategic, high-growth sectors, for example, agri-food. This measure could result in some businesses closing.
- **Remove the condition of limiting recourse to the program in the restaurant, hotel and retail industries in regions where the unemployment rate is higher than 6%.** Historically, the unemployment rate in Greater Montréal has been over 7%. But this does not mean that Montréal does not have a labour shortage in these three industries. By restricting access to temporary foreign workers, the federal government is putting these companies at risk, along with the thousands of jobs they create in Quebec.
- **Make work permits in this category valid for two years, renewable.** Reducing the validity period of work permit to one year renewable as proposed in the recent reform discourages companies from using the program. Generally it takes a company several months to train a new employee to be fully functional. Reducing the validity period makes the program more expensive and therefore less profitable for the company.

Recommendation 2

The government needs to grant employers greater flexibility in hiring seasonal labour and therefore:

- lift the restriction for using the program in the low-wage category when temporary foreign workers account for more than 10% of a company's labour force
- remove the condition of limiting recourse to the program in the restaurant, hotel and retail industries in regions where the unemployment rate is higher than 6%
- make work permits in this category valid for two years, renewable

3. Streamline the process and processing timeframes for applications for temporary foreign workers

The reform of the Temporary Foreign Worker Program generates red tape for the city's businesses, particularly SMEs. The current timeframe for getting a work permit for temporary foreign workers is long and the process is complex. And yet the government committed to reducing red tape and regulation for SMEs.

The government needs to streamline the processes and processing timeframes for applications for temporary foreign workers by taking the following measures.

- **Shorten processing timeframes for LMIA's to allow companies to better plan their labour strategy.** Processing timeframes can be long (two to four months), which creates uncertainty about hiring skilled labour and threatens the viability of business projects.
- **Adopt more reasonable fees for the Temporary Foreign Worker Program.** Assessment fees required from employers as part of the program have increased from \$275 to \$1,000 per worker. This increase, which was justified by the government at the time by the introduction of more thorough security checks, discourages SMEs. For example, innovative startups often need leading-edge, hard-to-find expertise when they are developing their products.

Recommendation 3

The government needs to streamline the process and processing timeframes for applications for temporary foreign workers by:

- shortening processing timeframes for LMIA's to allow companies to better plan their labour strategy.
- adopting more reasonable fees for the Temporary Foreign Worker Program

4. Put in place mechanisms to help retain temporary foreign workers

Temporary foreign workers are a strategic group for immigration. They already have a job in Quebec, and their skills are more readily recognized by local employers. They have a command of at least one of the two languages of business and understand our society's values. And because of their level of skill and training, specialized workers (who command higher wages) are top candidates for permanent residency.

Since the pool of potential workers will continue to decline and local businesses will continue to need foreign workers, retaining temporary workers should be a priority for the provincial and federal governments.

Recommendation 4

The Board of Trade asks the federal government to facilitate the change in status from temporary foreign worker to permanent resident. It should disseminate information and expedite the process to encourage temporary foreign workers to stay in Canada.

Conclusion

The Greater Montréal business community asks the federal government to review the Temporary Foreign Worker Program to better reflect the needs of the labour market in Canada's second largest city. Demographic aging has an impact on our economy and its businesses, many of which are built on innovation and knowledge and therefore need skilled labour more than ever.

The government needs to facilitate access to temporary foreign workers both in the skilled and low-skilled categories because they are essential for growth-generating projects. Easier access is even more important in the current context where our economic recovery depends on increased private investment, including in fields with seasonal activity. Finally, to meet our longer term labour needs, the government should also expedite the transition from temporary to permanent status for foreign workers.

SUMMARY OF THE BOARD OF TRADE OF METROPOLITAN MONTREAL'S RECOMMENDATIONS

Recommendation 1

The government needs to facilitate access to high-wage, skilled temporary foreign workers. To do this it must:

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- lift the obligation to present transition plans for high-wage jobs
- standardize the evaluation of LMIA's
- respect the salary confidentiality of sectors with intense competition

Recommendation 2

The government needs to grant employers greater flexibility in hiring seasonal labour and therefore:

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- remove the condition of limiting recourse to the program in the restaurant, hotel and retail industries in regions where the unemployment rate is higher than 6%
- make work permits in this category valid for two years, renewable

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Recommendation 4

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