

# *Are the gaps in labour market outcomes between immigrants and their Canadian-born counterparts starting to close?*



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# Outline

- Background
  - why the earnings gap between immigrants and the Canadian-born matters
  - deteriorated labour market outcomes of new immigrants in the 1980s and 1990s
  - changes in immigrant selection since the early 2000s
- Research question
- Data and methods
- Results and conclusion

# Why the earnings gap between immigrants and the Canadian-born matters

- The **observed earnings gap** indicates whether immigrants are earning less than the Canadian-born, and whether this situation is improving or deteriorating
  - If the gap is increasing → rising earnings inequality, possibly increasing poverty among immigrants relative to the Canadian-born, and likely increasing frustration among immigrants
  - If the gap is closing → some factors other than regular economic growth policies, possibly related to immigrant selection and/or economic integration, are resulting in immigrant earnings growth beyond that of the Canadian-born benchmark
- The **adjusted** earnings gap compares earnings of immigrants with those of the Canadian-born who have comparable human capital and other characteristics, and indicates whether immigrants are earning what they “should” or “would” be earning if they received the same economic benefit to human capital characteristics as the Canadian-born

## Deteriorated labour market outcomes of new immigrants in the 1980s and 1990s

- The earnings gap between new immigrants and the Canadian-born widened considerably between the late 1970s and early 1990s, and stabilized between the early 1990s and early 2000s (Aydemir and Skuterud 2005; Frenette and Morissette 2005; Green and Worswick 2010; Hou and Picot 2016; Picot and Sweetman 2012)
- Possible explanations:
  - the shift in immigrant source regions and language, mostly in the 1980s
  - the declining returns to foreign experience, in the 1980s and 1990s
  - the general deterioration in outcomes for new labour market entrants, mostly in the 1990s
  - the role of supply and demand, particularly the labour market conditions in Canada, in the late 1990s and early 2000s (e.g., Information Technology sector boom and bust)

## Changing selection environment for economic immigrants since the early 2000s

- Under the Immigration and Refugee Protection Act (IRPA), more points were allocated to higher levels of education; official language requirements and tests were strengthened
- A greater share of immigrants was selected via the Provincial Nominee Program; the Canadian Experience Class was introduced in 2008; and the Federal Skilled Trades Program was established in 2013
- Between 2008 and 2014, a series of Ministerial Instructions were implemented to improve the responsiveness of economic immigration programs to perceived occupational demand
- Expanding “two-step” selection of economic immigrants, i.e. economic immigrants to Canada were increasingly selected from the pool of temporary foreign workers



## Research question

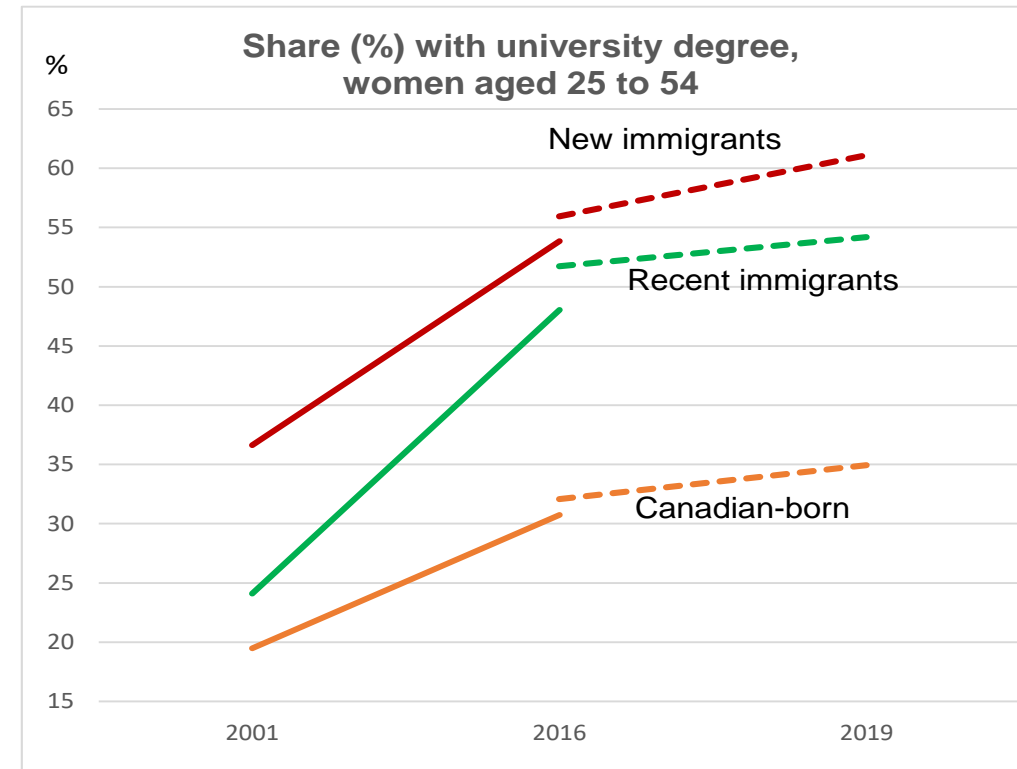
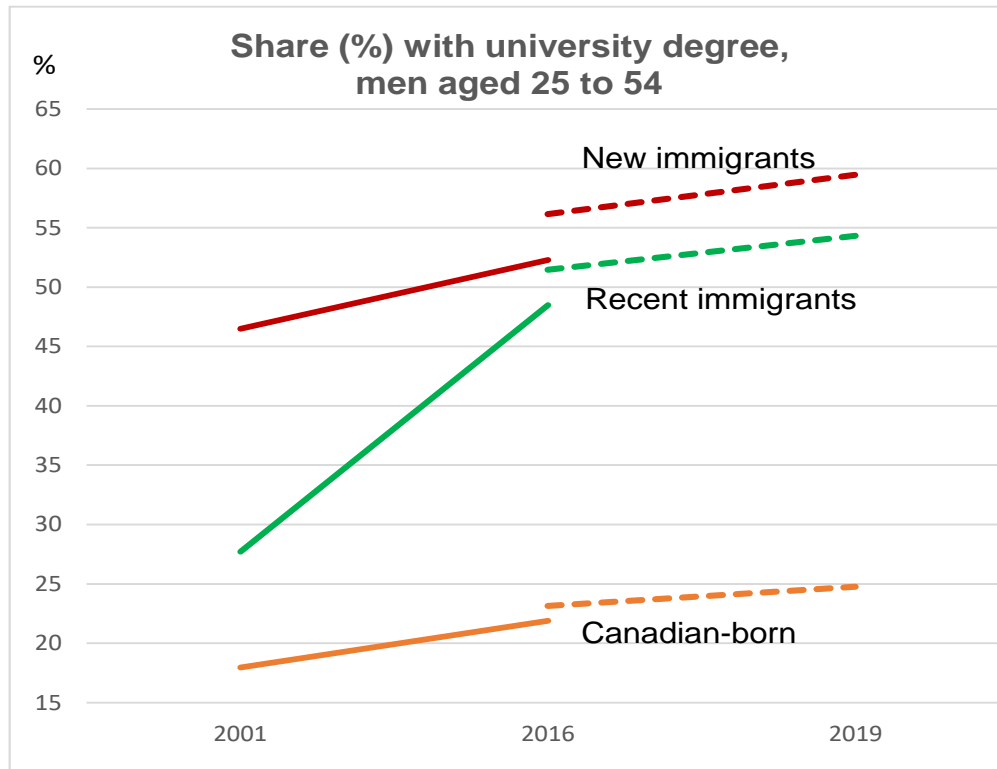
Given significant policy changes and favourable economic conditions over the 2000s and 2010s, are the gaps in labour market outcomes between immigrants and the Canadian-born starting to close?

- new immigrants (in Canada for 1 to 5 years), recent (6 to 10 years), and long-term immigrants (over 10 years)

## Data and Measures

- The 2001, 2006 and 2016 Census of Population and the 2011 National Household Survey
- The 2015 to 2019 Labour Force Survey
- Population aged 25 to 54
- Two outcomes: the employment rate and weekly earnings – some inconsistencies in the level of the outcomes in the two data sources, but similar trends in overlapping years
- Control variables: age, education, language (census), visible minority status (census), province of residence and city size; years since landing and immigrant source region

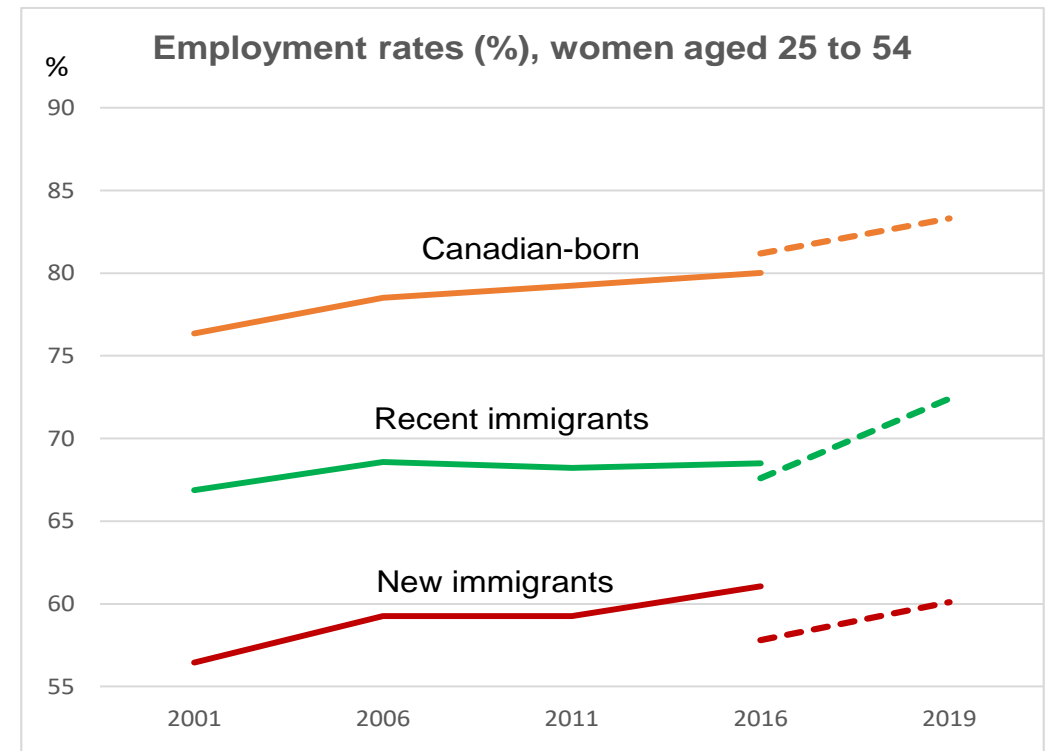
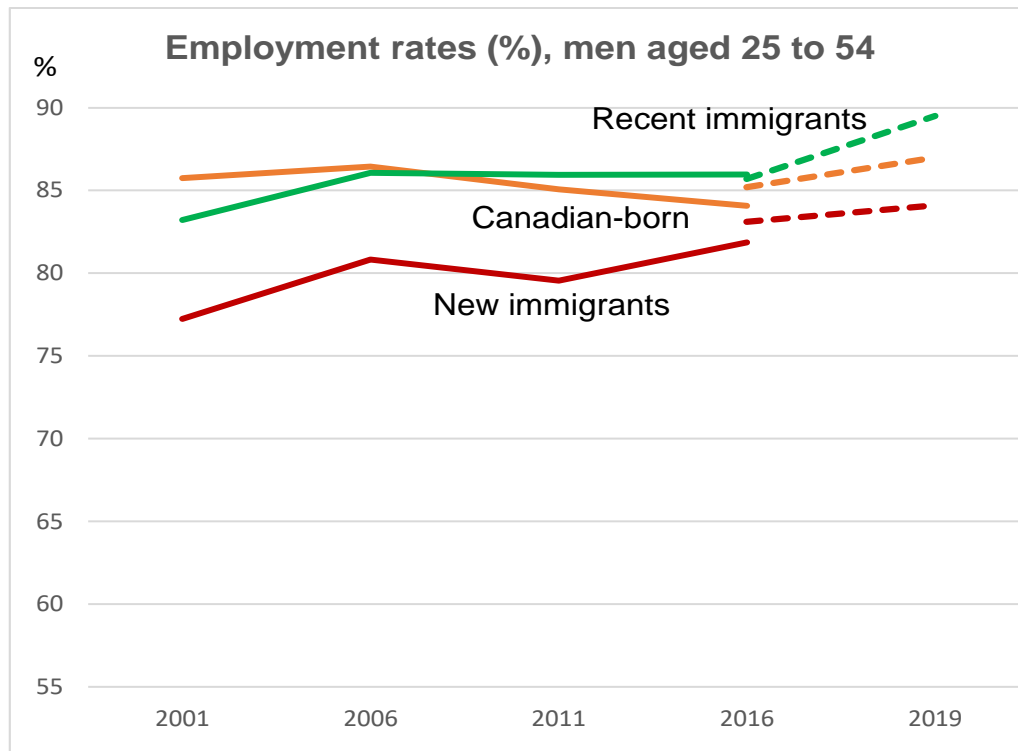
# New immigrants were more highly educated; their lead over the Canadian-born in the share with a university degree remained stable among men, but increased among women



Sources: Statistics Canada, 2001, 2006 and 2016 Census of Population; 2011 National Household Survey; and 2016 and 2019 Labour Force Survey



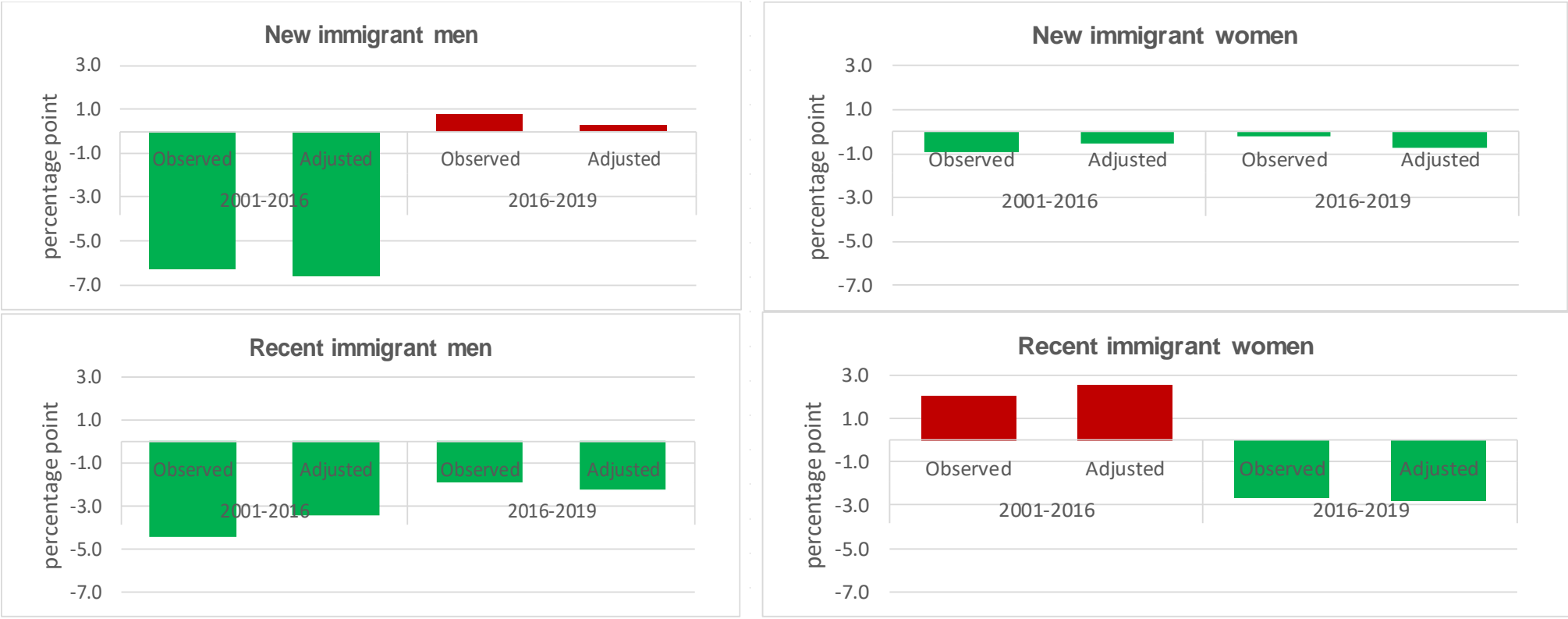
# Rising employment rates among new and recent immigrants, while the gap with the Canadian-born was reduced for men, it changed very little for immigrant women



Sources: Statistics Canada, 2001, 2006 and 2016 Census of Population; 2011 National Household Survey; and 2016 and 2019 Labour Force Survey

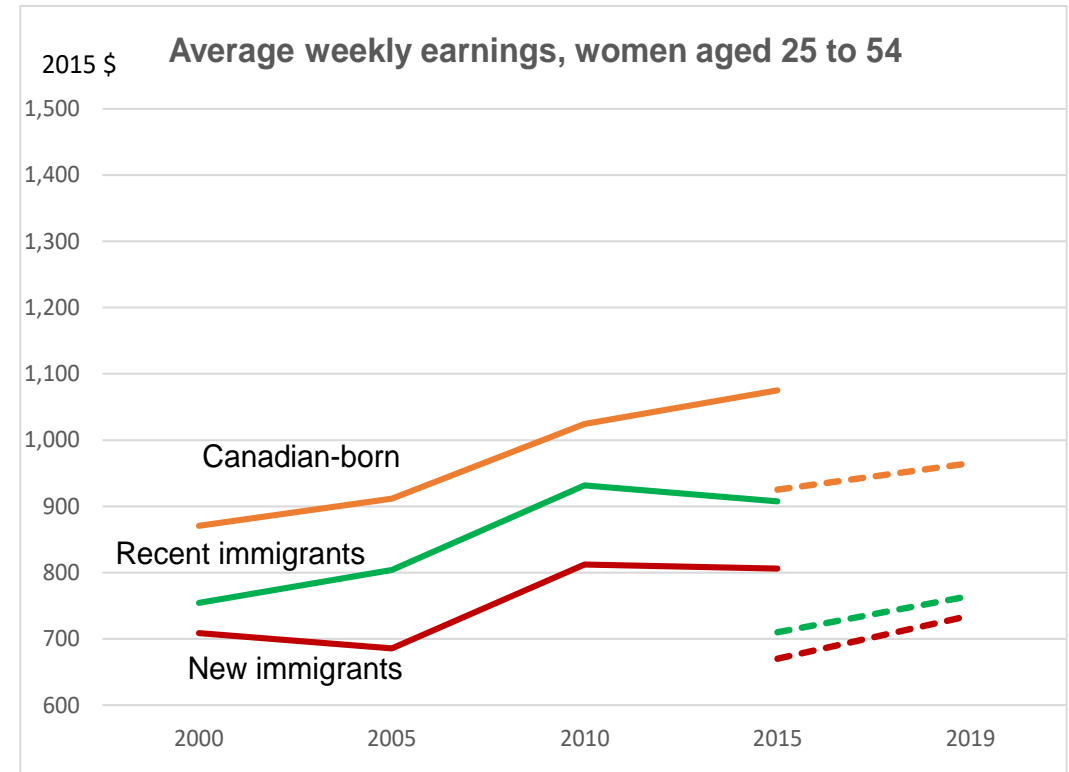
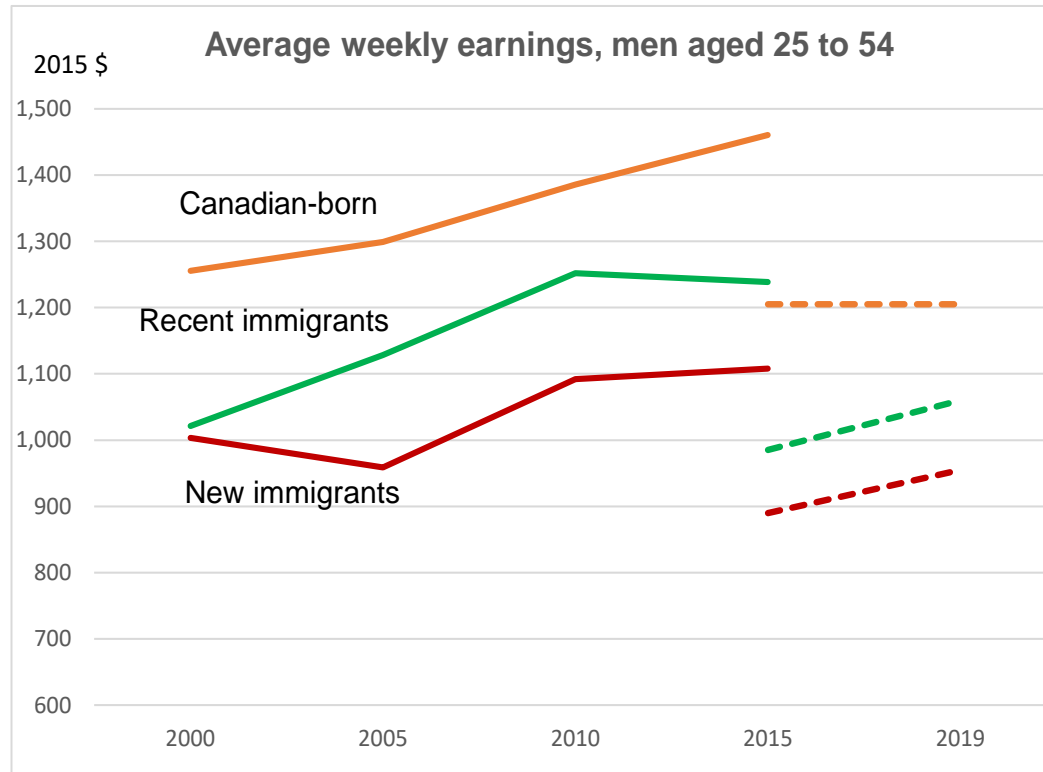
# Changes in immigrant socio-demographic characteristics accounted for little of the observed trends in employment gaps for immigrant men and women

Changes in the employment-rate gaps between immigrants and the Canadian-born



Sources: Statistics Canada, 2001, 2006 and 2016 Census of Population; 2011 National Household Survey; and 2016 and 2019 Labour Force Survey

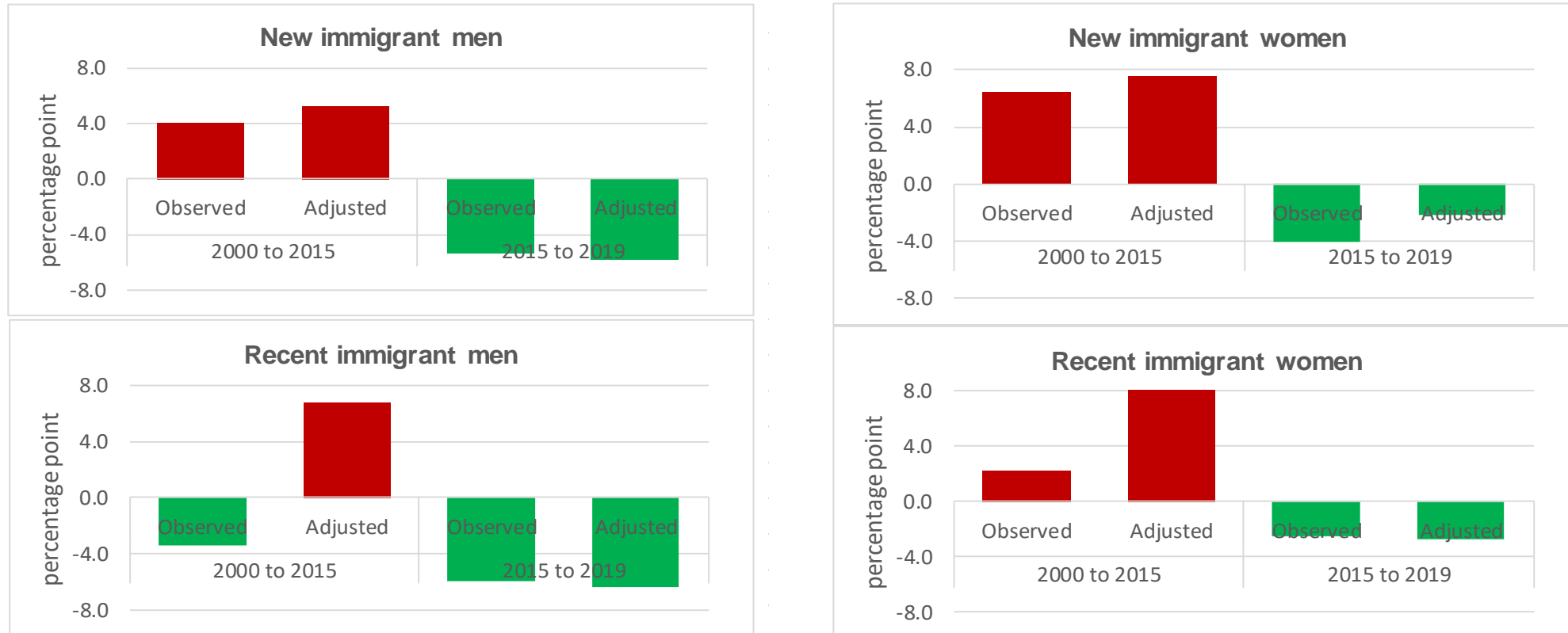
# Immigrants lagged behind Canadian-born in earnings growth between 2000 and 2015, some improvement between 2015 and 2019



Sources: Statistics Canada, 2001, 2006 and 2016 Census of Population; 2011 National Household Survey; and 2016 and 2019 Labour Force Survey

# Changes in immigrant socio-demographic characteristics accounted for little of the observed trends in earnings gaps for immigrant men and women

## Changes in earning gaps between immigrants and the Canadian-born



Sources: Statistics Canada, 2001, 2006 and 2016 Census of Population; 2011 National Household Survey; and 2016 and 2019 Labour Force Survey

## Summary

- **Employment rates relative to the Canadian-born:** improved considerably among new and recent immigrant men over the 2000 to 2019 period; improved slightly among new immigrant women, stable among recent immigrant women
- **Earnings relative to the Canadian-born:** changed little over the two decades for new and recent immigrant men; fell among new immigrant women, stable among recent immigrant women. The gap widened between 2000 and 2015; but in the late 2010s, there was some improvement in relative earnings for new and recent immigrants
- Changes in differences between immigrant and Canadian-born workers in socio-demographic characteristics generally had little impact on the observed trends in the employment rate and earnings gaps

## Discussion

- Why no improvement in relative earnings over the 2000-2015 period?
  - policy changes, particularly the increased selection of immigrants with pre-landing Canadian work experience, did put significant upward pressure on earnings
  - the large increase in the supply of new immigrants, particularly those with a university education, may have put downward pressure on immigrants' relative earnings
- Why general improvement in relative earnings between 2015 and 2019?
  - favourable economic conditions, and the increased tendency to select economic immigrants from among temporary foreign workers